

## Chapter – 1

### Introduction, Objectives and Methodology

#### 1.1 Introduction

Tradition of hand weaving is a part of our country's cultural heritage and symbolises ability of the weavers to design intricate artistic and attractive products by use of handlooms. Handloom is unparalleled in its flexibility and versatility, permitting experimentation and encouraging innovations. The handloom sector of India is known all over the world for its uniqueness and intricate designs. It has established its reputation as a timeless facet of the rich cultural heritage of India. So far as the contribution of the sector to the Indian economy is concerned, it occupies a place next to the agriculture in providing livelihood for the mass. It is estimated that the handloom sector provides directly employment to 65 lakh of work force and millions indirectly. The production of handloom fabrics is estimated to be 6188 mn. sq. mtrs during the year 2005-06 and about 16 percent of the total fabrics production of India. It not only plays a pivotal role in generating employment opportunities but also represents generational legacy and exemplifies richness and diversity of the country and the artistry of weavers. The most of the handloom clusters belongs to rural areas and hence it plays a crucial role for eradicating poverty in rural India and bridging the gap between urban and rural along with facilitating gender equality as about 40 percent of the work force in this sector are women.

The unification of world economy under WTO regime has thrown open the protected market of the traditionally age-old weaving community out of gear on account of their susceptibility to protect their own market by world class advertisement and promotion. So much so, the economic backwardness of the producers does not allow them to fight against infringement of their art styles and designs. The multilateral trading system under WTO has provided a protection to the intellectual property of the innovator through a trade rule called "Trade Related Aspects of Intellectual Property Rights" (TRIPs). The TRIPs under its arena includes a number of Intellectual Property Rights (IPR) to protect the designs, patterns, concepts, intellectual innovations and trade secrets etc. These IPRs confer legal recognition of ownership to the intellectual property innovated by the person or group of persons or a community of people in a geographical region and so on. Three important laws under TRIPs, which have become significant under fair trade and protection of intellectual property of the innovator, are Geographical Indication (GI), Trademarks and Patent. Typically these rights can be exploited commercially for individual or social benefits.

Out of the above, GI contributes more effectively to the socio-economic development of many regions of the world. They also create and support jobs and encourage diversification in productions allowing producers and manufacturers to dedicate themselves to the

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## 1.2 Geographical Indication vs Textiles Products of India

The GI is the newest addition to IPRs and defined as indications which identify a good originated from the territory of a member country or a region or a locality of that territory where a given quality, reputation or other characteristics of a good are essentially attributable to its geographical origin. In other words, some geographical regions acquire reputation of origin of a product with some specific quality and uniqueness. The GI can be extended to a variety of products, which have traditional and

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intellectual roots. In case of the textile and clothing industry, the handloom and textile handcraft production owes its origin to age old tradition. Most of the handloom products which inbuilt exquisite designs and art styles have unique positions and are seen across the country. In fact, each of the handloom clusters whether it is Tie and Dye work of Gujarat (Patola) or Ikats of Pochampally or Ikats of Orissa or Jari work of Surat or Sarees and Brocades of Banaras or Chikan work of Lucknow or Baluchari of West Bengal or Kanjivaram of Tamil Nadu or Chanderi sarees of Madhya Pradesh; all of them have unique designs and intricacies of their productions. These products have a definite and sustainable market in the domestic segment and some of them found place in the international market as well. With the integration of world market under the framework of WTO, the protected market of these producers have been threatened in form of mass copying, duplication by unauthorised producers and hence the livelihood of the artisans are at threat on account of unethical competition. The competition comes both from the domestic market as well as from the global predators. In order to protect these art styles, their livelihood and the interest of the consumers, the GI inclusion of GI in the TRIPs Agreement and subsequent implementation by member countries in form of Acts would be

So far 139 applications filed before the Registrar of Patents and Trademarks, Chennai for registration. Approximately 42 percent of the products belong to Textiles & Clothing sector of the country.

an important instrument for restricting the infringement and reviving this traditional knowledge is the globalised era. The worldwide response of the stakeholders to Geographical Indication just authenticated the importance of the IPR for protecting indigenous products. As of today, more than 720 products in EU, 140 products in Australia

are equal number of products in China, have been protected under their respective national Acts.

### 1.3 Pochampally Saris

Nalgonda district of Andhra Pradesh is a major centre of handloom. Unlike some districts of Telengana like Adilabad, where there has been a steady decrease in handloom weaving right from the 1920s, Nalgonda district has registered a considerable increase over the decades. They wove fine cotton sarees both plain and checked/striped, chitki sarees, telia rumals, khadi, susi cloth and tie-dye designed fabric. Pochampally, a small village of the district is famous all over the world for hand woven products. Tie and dye sarees (both silk and cotton) of different counts are woven. Historically, Pochampally was known for its cotton textiles called as “SOOSELU” (20s cotton fabric). Handloom weaving in Nalgonda is clearly marked by some speciality, which has allowed it to survive and even adapt to changes in demand. The Ikat technique of weaving has been in Nalgonda district for the last 40 odd years. The origin of this technique is not very clear, but it appears to have been learnt, and was not indigenous to the region.

In the 1950s and 1960s, cotton sarees were being produced in Pochampally. In 1956, when Kamladevi Chattopadhyaya and others visited the place, they opined that tie and dye on sarees would have a good market. The All India Handloom

Board chose two weavers from Pochampally to go to Banaras and learn silk weaving. They still faced problems in dyeing, which was later rectified by a stint at Kumbakonam. By the mid 1960s, silk tie

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dyed sarees from Pochampally began to enter the market and by 1970s became popular especially at the upper end of the market. Within a decade, weaving in the entire region shifted to silk from cotton. Silk was preferred as wages were higher, the yarn was stronger and easier to weave; and silk yarn would take colour well. Around this time, many weavers migrated from Medak, Khammam, Mehbubnagar, Guntur and other places into the Pochampally-Koyyalagudem belt. It is also possible that around this time, the shift of weavers from cooperative to working under master weavers increased.

In Pochampally, weft tie-dyed is more popular today, though earlier double Ikat production was also done. Mainly mulberry silk is used tussar production is very minimal. Silk yarn comes from Karnataka, pure zari from Surat. There is also a yarn traders' association, but bulk is bought from outside.

Since the product was a very popular one, in no time, Pochampally sarees began to face the problem of imitations on powerlooms and from mills. The demand for the authentic handloom silk sarees fell and undercutting in terms of price competitions and wage squeezes has become very common today. Currently mainly master weavers are servicing the market. Master weavers/traders control the business aspect by in turn linking up with traders from outside the state (i.e. the traders often get orders and then seek to get the production organised through several master weavers). The manufacturers have an association "Pochampally Handloom Tie and Dye Manufacturers Association", which consists of 100 master weavers. They use this space more for lobbying with Government when there is stock pile up, or for controlling wage limits, or for devising ways of dealing with credit defaulters. Apart from these functions, there is no common procurement of raw materials or marketing.

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#### 1.4 Protection of Market through GI

Though about 20 products from textiles and clothing have been registered under Geographical Indication Act, not many studies have been conducted to probe into the changes occurring to the major parameters of markets including the changes happening to market sizes. It is essential to study whether the registration necessarily provided an image makeover of the traditional product in the domestic as wells as international market. The Pochampally Ikat has been registered under the Geographical Indication Act during November 2004. A period of more than one and half years has been enlarged from the date of registration till date and it is presumed that the parameters of market,



the supply chain and the organisation of the manufacturing have undergone changes. Given this scenario, our attempt is to map the trajectory of successful handloom enterprises and locate them in the context of the growth of the handloom industry of Pochampally. The study will also examine the comparative market position of pre and post registration periods, which will document and provide a platform for future researches. A protected product under GI since will have a quality of its own to main its reputation, the consumers of the product will benefit from purchasing quality products. Since, the opening of the market has happened from 1<sup>st</sup> January 2005 and registration of unique products of textiles and clothing under GI has taken up more recently, a study in this direction is the call of the day.

### 1.5 Objectives

In the above background, the study proposes to probe into the follow issues:

- (i) To study the efficacy of Geographical Indication to protect the Intellectual Property Rights of the handloom weaver with reference to Pochampally Ikat.
- (ii) To study the influence of GI Registration of Pochampally Ikat.
- (iii) To examine and compare the market sizes of pre and post registration period.
- (iv) To document in the detail study of the value chain from the procurement of raw materials to the Marketing of the final product.
- (v) To study the influence of the GI Act Registration on various parameters like skill, increase in productivity, improvement in designs, supply chain management.
- (vi) To examine to what extent the registration of Pochampally Ikat has benefited the consumers of the product.

### 1.6 Scope of the Study

1. The study will highlight the market size of the Pochampally Ikat in the pre-registration period along with the constraints that the weaver community has experienced. However the genesis of Geographical Indication comes to the mind of the weavers and the implementation aspects of the registration. The registration process and filing of application.  
How the registration under GI Act has removed the pre-existing constraints of the viewers and boosted the market size, productivity, and brand building of the product.
2. In fact about 20 textile products has already been registered under Geographical Indication Act in India, but not a single study has been undertaken to assess the implications and benefits of the registration. Hence the actual benefit of this Intellectual Property Rights is yet to be quantified. Since this study is going to quantify the benefit of registration of the Ikat, it can be an eye-opener for the stakeholders of the other traditional textile products besides highlighting the consumer benefits along with a cost benefit analysis

3. To emphasize upon the growth of the market size and protection of Intellectual Property to the handloom weavers of Pochampally Ikats as well as others.

### 1.7 Limitations of the Study:

- 1) The study will be restricted to Pochampally cluster in Andhra Pradesh for Pochampally Ikats.
- 2) The study is limited to the Geographical Indication act's protected product.
- 3) The market size will be indirectly estimated from the production of the manufacturers and therefore may not be a 100 percent representative of the market.
- 4) Since a small sub-set of manufacturers will be canvassed through the sampling procedure, the estimation will depend on the samples only living a sampling error of desired level.
- 5) The survey will not include personal advice but personal expertise knowledge about the Act, the Pochampally product and the market system.

### 1.8 Significance of the Study:

The study will examine and document the comparative market position of pre and post registration periods, and provide a platform for future researchers. A protected product under GI will have a quality of its own to maintain its reputation, also the consumers of the product will benefit from purchasing the quality products. So far, such study has been undertaken in India for quantifying the benefits of IPR Protection of traditional knowledge through Geographical Indication Act. Hence the study will be first of its kind in the country and will be helpful for further strategising the stakeholders to take steps for benefit harvest.

### 1.9 Methodology:

The methodology for the study encompassed both secondary research and primary field survey. The secondary research involved literature survey and organisation of secondary source information on various parameters. The data collection from the secondary sources were carried out in the important libraries such as Textiles Committee, Tata Institute of Social Sciences, Office of the Textile Commissioner, Silk and Art Silk Manufacturers Industries Research Association (SASMIRA) and personal contacts with personalities associated with the industry.

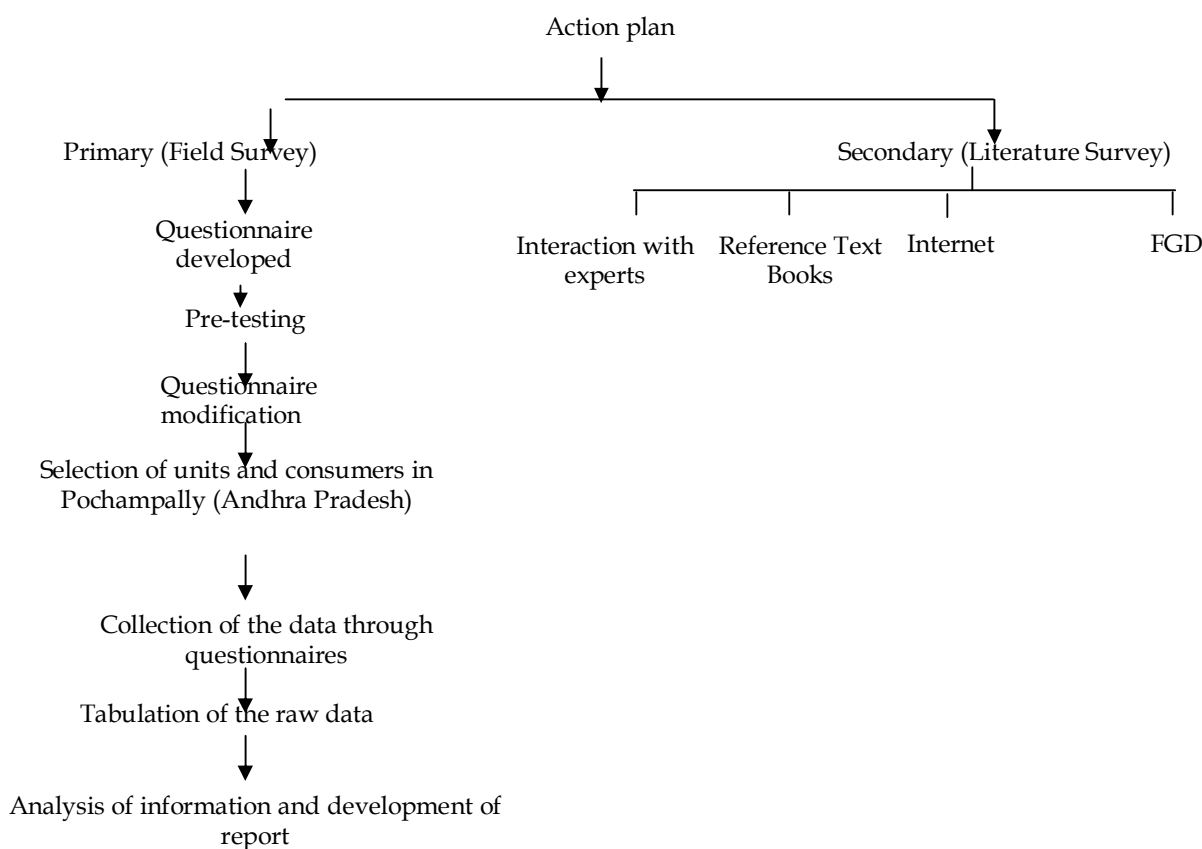
Besides the secondary research, the field survey was conducted to capture some of the important variables for comparative analysis of the pre and post GI periods. The questionnaire containing proving questions on the selected variables were scientifically designed. The questionnaire was then pre-tested to examine the consistency of the questions and their applicability to cull out the

required information to study the defined objectives after pre testing; the questionnaires were further refined and used for the data collection. A simple random sampling procedure was adopted to select the weaving households for collecting information on the production, sales turnover, labour employment, price of the product, raw material, dyes and chemicals, and also the production organisation etc. The total of 250 questionnaires was proposed to be canvassed. However, the number of questionnaires canvassed was 256.

Besides the questionnaires for the manufacturing units, questionnaires on the associations, consortiums were also developed and used for collecting information on the above variables from the members of the respective association and consortiums. In order to assess the levels of the consumers who are the major beneficiaries from the GI designated products, a specified scientifically designed questionnaire was also developed and applied to the selected consumers in a selected shopping malls and showrooms stocking the Pochampally products in the city of Hyderabad.

An action plan developed for designing of the questionnaire, pre-testing of the questionnaire and data collection from the field. The data tabulation and analysis was also carried out both manually and through the use of scientific software. Some of the information, which is not captured through the designed questionnaire, was culled through Focussed Group Discussions (FGDs) and interacting with persons associated with the industry.

### Schematic Presentation of Methodology Adopted



## Chapter - 2

### Handloom sector in Andhra Pradesh

The Indian textiles, one of the oldest industries in the country, renowned for their fineness and captivating colour for ages beyond 5000 years, have attracted connoisseurs, from all parts of the world. It occupies an important position in its economy, contributes about 14 percent to the industrial production and about 5 percent to the GDP. The contribution of this industry to the gross export earnings of the country is 1/3<sup>rd</sup> of the total exports, while adding only 6-7 percent to the gross import bill of the country. This is the second largest provider of employment after agriculture, providing direct employment to about 35 million persons including substantial segments of SC/ST and women. India has already completed more than 50 years of independence. The analysis of the growth pattern of the different industry during the last 5 decades of post independence era reveals that the growth of the industry during the first two decades after the independence has been gradual, through the lower and growth had been considerably slower during the third decade. The growth thereafter picked up significantly during the fourth decade in each and every segment of the industry. The peak level of its growth is however been reached during the fifth decade i.e., the last ten years and more particularly in the 90s. The textile policy of 1985 and economic policy of 1991 focusing in the direction of liberalization of economy and trade had in fact accelerated growth in 1990s. The lower economies of scale and cheap labour, the decentralized sector is likely to continue to dominate in this industry.

#### 2.1 Handlooms in India:

India is in first position (84.78%), which is 3.90 mn, out of the world's total capacity of 4.60 mn. The handloom industry in the country has shown reasonable growth in the past. In terms of employment potential, it is only next to agriculture and it is estimated that it provides employment to 124 lakh persons working about 38 lakhs handlooms. Of these, 60 percent are women. The contribution and growth of textile industry in general and artisans' product in specific is aided by the strong policy trust towards handloom sector. With the government policy continues to be in favour of the handloom sector, the future of this sector continues to remain bright.

The handloom sector, contrary to the general notion that its share of production has declined, however, has stabilized around 20 percent for the past two to three decades. At present it stands at 18.75 percent of the total cloth production. The major contribution of handloom sector is however in terms of providing employment to 124 lakhs people and thus stands next to agriculture. Out of this, 60 percent are women, 12 percent SC and 20 percent ST (Ministry of Textiles: 2001). There are 38.91 lakhs handlooms in India. Though its share in total textile exports is 10 percent (EXIM: 2001), its labour intensive character, decentralized nature and optimum utilization of scarce capital resources

give it a unique position in the Indian economy. It weaves a range of fibers like cotton, silk, tussar, jute, wool and synthetic blends.

Indian exports of textiles (excluding ready made garments) fell from Rs.19164 crores in 1997-98 to Rs.18855 crores in 1998-99, showing a fall of 1.6 percent. During 1999-00, however, exports of textiles registered a growth of 15.5 percent to reach Rs.21772 crores. Exports of ready-made garments have on the other hand increased from Rs.14406 crores to Rs.18364 crores showing a growth of nearly 30 percent during 1997-98 to 1998-99. Export during 1999-00, registered a growth of 13.3 percent to reach Rs.20809 crores. Exports of all textiles have shown an increase over the last five years from Rs.22268 crores in 1994-95 to Rs.37219 crores in 1998-99. During 1999-00, exports of all textiles amounted to Rs.42581 crores, reflecting a growth of 14.4 percent. In the globalised market, the Indian textiles industry has performed well and achieved a growth rate of around 22 percent. The major exporting destinations however remain with USA, EU, Canada, Japan, besides the countries in Middle East such as South Arabia and UAE.

Exports of handloom products constitute a small percentage (around 10%) of the total textile exports (other than readymade garments) of the country. The value of exports of cotton handloom fabrics during 1999-00 has declined by 7.2 percent over the last year. Though, the exports of Real Madras Handkerchief have increased slightly in volume terms, it has declined in value terms from Rs.21 crores in 1998-99 to Rs.19 crores in 1999-00. The exports of lungis, dhotis, and saris have shown a rise during 1999-00 in value terms while it has steadily fallen in volume terms. Exports of shirting and other fabrics have also declined during the same period. The exports of cotton handloom made-up have registered an increase of 9.1 percent in terms of value in 1998-99 with respect to the previous year, thus revealing a shift in export patterns from fabrics to made-ups. Europe is the largest destination for handloom items accounting for nearly half of the total exports while Africa is the smallest market for handloom products from India in 1999-00. Our important markets are USA, EU, Japan and Australia (see EXIM, 2001).

Some of the essential characteristics of the handloom industry are as follows:

- 1) It is extremely diversified in nature, in terms of product and relations of production. From weaving coarse cloth for local needs to producing a range of medium and fine fabrics for a larger (usually urban) market, the varieties of cloth produced on handlooms are indeed vast. Each region is known for a specific product that is unique in design and style. What is woven (the product) is, however, inseparable from the question of where and how it is woven. The last is not a reference to technology, but to the very structure of production itself, viz., to how production is organized. These modes and relations of production are again very diverse. There are independent weavers; weavers organized into co-operatives and those working under master weavers. While a few areas may be characterized by one clear-cut mode of production, a combination of types and a multiplicity of relations of production are usually found elsewhere.

- 2) It is capable of great flexibility in processes, products and geographical shifts. Alterations in the production process and innovations in product are fairly easily achieved. Unlike land resources that root an individual to a given place, a weaver is limited only by his skill and, being mobile, could shift from one production base to another.
- 3) It is decentralized, located both in rural and urban centres. Handloom weaving as an economic activity predates modern industrialization. Within the village economy that obtained in the past, weavers catered primarily to local needs. Thus every village, or every cluster of villages, would have a number of weaving families. Running parallel to this was also market-oriented production, located largely in weaving centres near port towns, where master traders organized weaving for export. Sometimes, these were organized as karkhanas, or weaving 'factories', but by and large, unlike the highly centralized mill sector, handloom weaving today continues to be dispersed and decentralized in nature.
- 4) It is largely home-based; with labour inputs from the entire family. The second sense in which the handloom industry is decentralized is that it is largely household-based. While weaving sheds do exist occasionally, more widespread is the weaver weaving at home, drawing on the labour of all the family members. In each stage of the production process, whether it is pre-loom processing, weaving or finishing – every member of the household has a clear role to play. In many ways, it is similar to the subsistence agricultural household that engages in the self-exploitation of labour in order to remain at the subsistence level.

A proper understanding of these fundamental characteristics of the handloom industry is indispensable for policy formulations and creation of supportive institutional infrastructures. This household-based industry, with its low capital and energy requirements and its ability to provide livelihoods to a large number of people, has immense economic potential. What is required is a systematic identification of the heterogeneous nature of its needs and problems and the designing of suitably flexible inputs that would tackle these issues. Most of the steps taken to tackle such needs as credit, raw material and marketing have had a centralized structure that has been unable to reach out to the inherently decentralized nature of the industry. The development of support systems that would match the characteristics of the industry is urgently needed today.

## 2.2 Handlooms in Andhra Pradesh:

Unlike other part of the country, handloom weaving has been an industry of prime importance for centuries in Andhra Pradesh. The seventeenth and eighteenth centuries were a period of unquestioned prosperity, whereas the nineteenth and twentieth centuries have seen certain significant changes in the structure and organization of this industry. A number of historians have documented the production and trading systems pertaining to handloom cloth in earlier centuries.



The Coromandel Coast as a whole and Masulipatnam fabrics in particular had achieved world-renown. It is well established that production was not only for an insular rural market, but also catered to a sizeable export demand. For example, the chintz or checked rumals of Masulipatnam were in great demand not only within India, but also in Persia and later Europe. Muslins and calicos too were important items of production and formed a significant component of trade. It was this textile trade that the British sought to control in South India. It has been observed that while local merchants used to link weavers with the export market earlier, “as deliberate colonial policy the English sought to use their power to alter the conditions of production of handloom textiles and to transform existing relations between producers and middlemen” (Arasaratnam, 1990). This gave rise to major alterations in the organization of production itself. Rather than deal directly with weavers themselves or use the existing marketing intermediaries, the East India Company appointed Gumasthas as mediators in the process of accessing cloth. The system worked through advances and contracts, where money was advanced to the intermediary rather than to weavers directly. A well-established trading system thus took shape in the seventeenth and eighteenth centuries, formalizing the dealings between the Company and the intermediaries (Chaudhuri, 1974). Records and studies of maritime trade reveal to us the importance of the handloom industry in that period. However, there are not many direct studies of the industry per se, that is, of its structure and organization, of how production was actually carried out and what the social relations of production were. There are clear indications, however, of trends in the industry when we consider the labour angle. As the export demand increased, it is said that traditional weavers scaled up export-oriented production, and cut down on weaving coarser fabric for the domestic market. This lacuna was filled by the entry of individuals from non-weaving castes, who were from the lower-castes. “Such entrance of low-caste labour into the weaving caste is evident in surveys conducted in the nineteenth century when Malas and Madigas, important untouchable castes of the Andhra region, are prominent as participants in the textile industry” (Brennig, 1990). A more precise dating of this process needs to be done, especially since the Report of the Fact-Finding Committee opines (1942) that such large-scale entry of lower castes into weaving in a nineteenth century phenomenon. What is incontestable, however, is the great degree of mobility and flux that characterized workers in this industry, into the twentieth century as well.

As briefly mentioned earlier, the ‘reindustrialisation’ thesis has argued that like other artisanal forms of production, the handloom textile industry too was disrupted in the nineteenth century due to colonial rule. However, as Mukund and Syamasundari (2001) point out, the picture was different in the South, where one can even see an increase in the number of looms in this period. Two arguments are made in this connection: one is that of a shift in what weavers produced. In order to survive, they did not produce what the English mills produced, but concentrated on weaving coarser cloth for local consumption, that is, for a market that was not yet absorbed into a larger national market (see also Specker, 1989). The second is that there was also a diversification in product

- such as weaving finer varieties - to meet demand from other segments (see also Yanagisawa, 1996), which allowed the industry to survive. In addition to these possible factors, we should also consider the other internal changes that were taking place in the organization of cloth production. Writing of the Deccan area, Tirthankar Roy (1993) notes that a certain amount of internal differentiation seemed to have emerged among the weavers by the 1930s, that is, when the system of 'contracts' was the most widespread mode. The number of independent weavers declined, and their dependence on traders increased ('tied sale'). The 'putting-out' system, where weavers wove at home on their own looms for a trader, or a master weaver, or his agent, continued. Factories or karkhanas also emerged side by side with these systems. These larger descriptions of the structure and organization of the handloom industry can be juxtaposed with reports that provide more detail of how these systems actually work on the ground. Two important reports from the Andhra region in the late 1920s and early 1930s provide us with considerable information on these aspects. N.G. Ranga's survey into the economic and social conditions of the handloom weaving industry (conducted during 1925-26 and 1928 and published in 1930) describes the conditions prevailing in substantial parts of AP and Madras Presidency. Such an account, he argues, is indispensable "before any constructive scheme of industrializing the country can be developed" (1930). While there could exist governmental records of number of looms, kinds of cloth produced, kinds of machines used, etc., there is hardly anything on "economic organization, the relations between the employers and the employees, the wages or earnings of the weavers, or their standard of living" (1930). Measures to improve work conditions and end exploitation of weavers, provision of credit and encouraging co-operative methods of organization are some of his suggestions. Similar problems of labour and finance are mentioned in Raghubir Saha's enquiry into the industry (1933). "The crux of the problem is indebtedness to local sowcars and yarn dealers" (1933), and one way of freeing them will be to take up co-operative forms of associations, it is argued.

While the formation of co-operatives is seen as a panacea for such ills, the situation today, where the co-operative mode of functioning is more or less disintegrating (at least in Andhra Pradesh), needs close and careful analysis. A detailed history of this movement in the textile sector is also necessary in order to learn from mistakes and devise implementable strategies for future action. Much has happened in the intervening decades, with the situation deteriorating in the post-1980s. Unlike in other states, in Andhra Pradesh, weaving continues to be a household-based activity, located largely in rural and semi-urban areas. Weaving is often the sole occupation pursued by weavers whose earnings are quite low. Mukund and Syamasundari (2001) have analysed the crisis in handloom weaving in Andhra Pradesh today in terms of loom age and output. They find that while Adilabad, Karimnagar and Nizamabad districts of Telangana and Chittoor and Cuddapah districts in Rayalaseema have seen a decline, all the districts of Coastal Andhra have done well. Changes in macro-economic policies since the 1990s have also pushed up yarn prices phenomenally. Rather than increase product prices (since they compete in a market dominated by cheaper powerloom products),

master weavers responded by depressing wages paid to weavers. The starvation deaths among weavers in Andhra Pradesh in the 1990s were a result of such shifts. In Andhra Pradesh there are over 3 lakh handlooms and it is giving livelihood to around 8 lakh families. For the welfare of handloom weavers, Govt. is spending annually around 55 to 60 crores.

The details of the product profiles of Andhra Pradesh can be summarised as follows:

### **2.2.1 Silk:**

Andhra Pradesh is the second largest producer of silk next to Karnataka. While Karnataka rules the roost in the terms of production, Andhra Pradesh scores in terms of productivity thanks to its mulberry producer's willingness to adopt new farming technology. All the 1.3-lakh small and marginal farmers who depend on sericulture for an additional source of income going for this new method of irrigation. They are looking for an output level of 95 kg per 100 disease-free laying (dfls) which is common among the Chinese. The state government creating awareness to farmers about the fall in yarn prices, that it would not be possible to sustain the prices around the Rs. 300/- kg level. During the last few years, there has been a five-fold increase in the land under mulberry cultivation. Farmers have greatly benefited by using new techniques of cultivating mulberry.

### **2.2.2 Andhra Pradesh Co-operative Society (APCO):**

Since the handloom weavers have been facing problems both in getting inputs as well as in marketing their finished products, the creation of an APEX Society was thought of to address these twin problems of the timely availability of inputs and effective marketing strategy. Further, the Government is aware that protection to the sector is required to be continued because of the pious obligation to protect the heritage of the State and support is required to be continued to offset the built-in cost handicap of the handlooms, the focus of all its policy has been to provide a level playing field so as to enable the weaver to stand up on his own and face the market in a level playing field. Towards this end, the entire budget outlay of the Department of Handlooms and Textiles of Government of India amounting to about Rs.10.00 - 15.00 crores per annum and Central Assistance of an equal tune is being pumped into the handloom sector. The apex body plays a crucial role in supplying raw materials to these decentralised SMEs and marketing their product through out the country and in international markets.

#### **(A) Establishment, Objectives, and Management of APCO:**

The Andhra Pradesh State Handloom Weavers' Cooperative Society Ltd., (APCO) is the APEX Handloom Cooperative Society of Andhra Pradesh. The Society was registered in the year 1976 with registered No.T.P.W.44 under the Andhra Pradesh Cooperative Societies Act 7 of 1964 with the following main objectives, inter alias, among others:

1. Procure raw materials and appliances, tools and machinery including spares as may be required for the industry and to sell the same to the member-societies;

2. Purchase or receive for sale finished products of the member-societies and sell the same to the best possible price by opening Sales Units, Go downs, Exhibitions etc., within and outside the State;
3. Purchase and supply other requirements of its member-societies;
4. Establish and run sales units within and outside the area of operation for exhibition and sale of products of member-societies;
5. Hold, own, establish and hire processing units to undertake and provide processing facilities including dyeing, mercerising, printing and furnishing etc., for all type of yarn and varieties of cloth, to the member-societies and to other institutions and individuals on hire on job work basis;
6. Advise and render assistance to member-societies in preparation of production programmes, design development, product diversification and such qualitative improvement as may be necessary in the products produced by the member-societies to be in tune with the consumer tastes and market demand;
7. Arrange the training of weavers sponsored by the member-societies in improved methods of weaving and latest techniques and also for the training of its own employees in sales techniques, accountancy and business administration etc;
8. Liaison on behalf of the Primary societies with Government Agencies for availing financial assistance and support under various developmental and welfare schemes;
9. Marketing reliable handloom fabrics at affordable prices to customers both in the domestic and export market;
10. Catering the requirement of Government Departments/Agencies such as Tribal Welfare, Social Welfare, APSRTC, ACASH, etc.
11. APCO is, thus, basically meant to extend marketing support to its affiliated Primary Cooperative Weavers' Societies registered under the cooperative fold in the State. The APCO is providing direct employment to over 1.00 lakh weavers and indirect employment to about 4.00 lakh people in the (23) districts of the state. The Society is working for the economic development and welfare of the weavers by providing marketing support for the sale of handloom cloth; Supplying yarn requirement and other inputs for cloth production;

The APEX Society is managed by a Board of Management comprising of 31 Directors representing each of the 23 Districts, representative of APCO wool and seven official Directors including the Managing Director as Ex-officio Director and Vice-Chairman of the APEX organisation. After the expiry of the term of the elected Board in May 2000, the Secretary Industries & Commerce (Tex.) Department was appointed as the Person-in-charge of APCO pending conduct of election to the APEX body. The Director of Handlooms and Textiles, Government of Andhra Pradesh is kept in additional charge of the post of Vice Chairman and Managing Director of APCO for achieving better

coordination between the Department and the APEX body in the common endeavours to revamp and restructure APCO. The APCO has 12 Divisional Marketing Officers in all major districts with a total supporting staff of 1083 employees. The marketing network of APCO is carried through its extensive sales outlets numbering 289 out of which 253 are located within the State of Andhra Pradesh and 36 Interstate outlets are located outside the State of Andhra Pradesh.

**(B) Working of APCO:**

The marketing and sales activity of APCO reached a pinnacle of Rs.128.41 crores during the year 1992-93 despite severe competition from mill-made and powerloom products. The performance of APCO during the last one-decade in terms of procurement and sales activity is tabulated below:

**Table 2.1**  
**Year Wise Procurement Activity**

| (Rupees in Crores) |         |         |       |        |        |
|--------------------|---------|---------|-------|--------|--------|
| Years              | General | Janatha | Yarn  | Livery | Total  |
| 1992-93            | 39.93   | 31.05   | 31.41 | 10.06  | 112.45 |
| 1993-94            | 50.43   | 28.68   | 30.98 | 15.08  | 125.17 |
| 1994-95            | 50.25   | 18.26   | 30.19 | 5.11   | 103.81 |
| 1995-96            | 21.58   | 6.26    | 11.97 | 4.62   | 44.43  |
| 1996-97            | 28.58   | --      | 6.88  | 6.56   | 42.02  |
| 1997-98            | 26.46   | --      | 10.28 | 5.86   | 42.60  |
| 1998-99            | 36.40   | --      | 7.21  | 7.63   | 51.24  |
| 1999-00            | 26.18   | --      | 8.17  | 6.65   | 41.00  |
| 2000-01            | 4.08    | --      | 0.72  | 1.56   | 6.36   |

**Table 2.2**  
**Year Wise Sales Activity**

| (Rupees in Crores) |         |        |         |       |        |
|--------------------|---------|--------|---------|-------|--------|
| Years              | General | Livery | Janatha | Yarn  | Total  |
| 1992-93            | 50.29   | 10.90  | 36.81   | 30.41 | 128.41 |
| 1993-94            | 48.03   | 16.59  | 27.58   | 30.48 | 122.68 |
| 1994-95            | 59.39   | 10.84  | 23.82   | 31.48 | 125.53 |
| 1995-96            | 55.07   | 11.50  | 13.83   | 11.64 | 92.04  |
| 1996-97            | 35.06   | 9.95   | 7.57    | 7.94  | 60.52  |
| 1997-98            | 42.48   | 7.98   | --      | 8.41  | 58.87  |
| 1998-99            | 51.36   | 10.08  | --      | 8.49  | 69.93  |
| 1999-00            | 50.01   | 6.65   | --      | 9.41  | 66.07  |
| 2000-01            | 18.80   | 0.53   | --      | 1.05  | 20.38  |

As could be seen from the above, the functioning of APCO continued to be very good till the year 1995-96 when the Janata Scheme was suddenly discontinued without an alternative scheme put in place to take care of the fabric requirement of people at the low end of the society. In tune with the policy of Government of India, the Government of Andhra Pradesh stopped encouraging production of low quality fabric unlike the neighbouring State of Tamil Nadu and Karnataka which continued to patronage production of Janata Sarees and Dhotis even today.

Though, there is quantum fall in the procurement and sales activity of APCO in the post 1995-96 periods, the expenditure on personnel, marketing and administration did not come down proportionately. The expenditure levels on personnel, marketing, administrative and interest liability continued to be more than Rs.20.00 crores per annum and the break up of expenditure during the last (5) years among these components is as below.

**Table 2.3**  
**Year Wise Expenditure**

| (Rupees in Lakhs)        |                        |                        |                           |                             |                             |
|--------------------------|------------------------|------------------------|---------------------------|-----------------------------|-----------------------------|
| <b>Expenditure Items</b> | <b>1996-97 Audited</b> | <b>1997-98 Audited</b> | <b>1998-99 Un-audited</b> | <b>1999-2000 Un-audited</b> | <b>2000-2001 Un-audited</b> |
| Personnel                | 874.41                 | 1021.32                | 1190.25                   | 1271.70                     | 944.99                      |
| Marketing                | 233.04                 | 369.43                 | 484.45                    | 221.17                      | 154.00                      |
| Administrative           | 349.07                 | 339.16                 | 283.67                    | 226.83                      | 157.91                      |
| Interest liability       | 591.65                 | 591.64                 | 528.07                    | 636.48                      | 797.74                      |
| Total                    | 2048.17                | 2321.55                | 2486.44                   | 2356.18                     | 2054.64                     |

Thus, the travails of APCO started from the year 1995 with the discontinuation of Janata Scheme and then onwards it could never come out of red and has been incurring operational losses ranging between Rs.7.00 crores to Rs.12.00 crores per annum. The analysis of the sales performance of APCO reveals that the fall in the quantum of marketing activities is directly ascribable to sudden stoppage of Janata Scheme and tangible reduction in cloth supplies to Government Departments, which started preferring powerloom and mill-made cloth for their livery requirements. The stiff competition from the open market from mill-made and powerloom cloth is also another factor for the decrease of handloom market from year to year. As a result, APCO incurred continuous losses leading to erosion of its net worth. The other factors responsible for the negative net worth of APCO include extending 20 percent discount on its sales under MDA scheme without any ceiling, while reimbursement by Government was pegged at Rs.5.64 crores per annum. This resulted in APCO spending an excess of about Rs.40.00 crores out its own funds from 1989-90 - 1999-2000 towards discount and price reductions over and above the assistance received from the Government, both the State and the Central. This has become inevitable to provide continuous market support to primary weavers who will face dire situation in the absence of any market development assistance scheme whether or not reimbursed by the Government. The status of net worth is as follows:



**(C) Restructuring of APCO:**

**(i) Short and Medium Term Strategy:**

- A close link of procurement made with market demands - Marketing Executives given powers to procure according to market demand.
- A Rs. 4.83 crores Design programme entrusted to NIFT / NID / WSC
- Counseling arranged to recover misappropriated amounts
- Different market strategies evolved for different varieties of cloth lying with APCO-special drive to reduce Inventories
- New concept of franchise through APCO VASTRA started
- A Rs.40.50 crore Restructuring Plan prepared and sent to Government of India to reinvent APCO
- Rightsizing of organization - APCO made leaner, meaner, thin and flat
- Closure of uneconomic and unviable sales outlets / units
- Great power devolved to Executives
- Regulations introduced to bring about financial discipline and reduced levels of expenditure
- Daily monitoring of sales and production - Interventions at correct time and place introduced
- Each shop make into a strategic business outlet to contribute directly to profits
- Quality Control Processes introduced - QCC, DGS & D inspections
- A new transparent simple incentive scheme introduced - Bimonthly payments based on self assessment
- Market diversification link with commercial chains established
- Personalized marketing service introduced
- Modern Cost accounting methods introduced
- Production system of weavers required quality yarn and dyes supplied to weavers

**(ii) Long-term strategy:**

- Financial restructuring by pumping in additional margin money for enhancing credit limits / working capital
- Rightsizing of manpower
- Expeditionary stock disposal to improve liquidity
- Showroom renovation
- Introducing right product mix and launching ready-to-wear label
- Extensive participation in Fairs and Special Exhibitions

## (D) Strategy for the Development of Handlooms and Textiles Sector in Andhra Pradesh

With the phasing out of quotas and quantitative restrictions under Multifibre agreement by 2005, substantial export opportunities will be available to be tapped. Modernization is the key to the growth of handloom and textile sector and is gaining comparative competitive advantage vis-à-vis supplies from China, Korea, Sri Lanka and Bangladesh.

Target to achieve exports worth US\$ 2 billion (Rs.9, 600 Crores) from the state by 2010, as against the present level of US\$0.08 billion (Rs.384 Crores). Domestic market share worth Rs.20,000 Crores to be tapped by the State. The employment generation potential is about 10 lakh persons. Proposed tie-up with International brands such as Walmart, J.C.Penny etc.Strategy to achieve this by setting up a number of Apparel/Textile Parks in identified locations in the State and to modernize handloom sector with an export focus. Apparel Export Parks planned at Gundla pochampally (Phase II), Garment City (Maheswaram), Visakhapatnam, Warangal and Kuppam.

### (i) Textile Parks

Textile Parks have been planned at

1. Siricilla (Karim Nagar)
2. Pochampally (Nalgonda)
3. Pashamylaram (Medak)
4. Pamidi (Anantapur)
5. Kothur (Mahboob Nagar)
6. Rayadurga (Anantapur)
7. Chirala (Prakasam)
8. Rajam (Srikakulam)
9. Adilabad
10. Nagari (Chittoor)
11. Mangalagiri (Guntur)
12. Yemmiganur (Kurnool)

Create niche market for handloom products, with focus on home furnishings, made-ups and specialized apparel. Outreach centres of National Institute of Fashion Technology, Hyderabad to be opened at Tirupati, Visakhapatnam and Warangal. R & D Centres will also be set up for development of exportable samples and designs through Weavers' Society.

### (ii) Total Investment

There will be an investment of Rs.60 Crores for skill upgradation, loom modernization, marketing incentive and design development under the "Deen Dayal Hathkargha Prathsahan Yojana (DDHPY)" with matching contributions by the State and Union Government. Nineteen Netha Bazaars

will be established in the state with an outlay of Rs. 3.80 Crores to provide for direct access of markets to weavers. Total outlay for five Apparel Export Parks is estimated at Rs.123 Crores and for the other twelve Textile Parks Rs.93 Crores. Thus, a total investment of Rs.280 Crores has been allotted for Apparel/Textile Parks, Netha Bazaars and the development of the Handloom Sector by 2006-07. From this amount, Rs.192 Crores will be the Central Government share and Rs.88 Crores will be the share of the State Government.

**(E) Handloom Clusters in Andhra Pradesh**

**Table 2.4**  
**Statement Showing Important Handloom Clusters in AP**

| Sr. No. | Name of the Cluster | No. of Looms | No. of Weavers | Major Items of Production  |
|---------|---------------------|--------------|----------------|--|
| 1.      | Pochampally (Nlg)   | 1583         | 1583           | Tie & Dye Silk Sarees, Cotton Sarees, Bed Sheets, Dress Materials, Furnishings                                 |
| 2.      | Koyyalagudem        | 932          | 932            | Tie & Dye Bed Sheets, Cotton Tie & Dye Sarees materials, Furnishings   |
| 3.      | Choutuppal          | 893          | 893            | Tie & Dye Silk Sarees, Cotton Sarees, Bed Sheets, Mercerised Tie & Dye Sarees, Dress Materials and Furnishings |
| 4.      | Ghattuppal          | 676          | 676            | Tie & Dye Cotton Sarees and Silk Sarees  |
| 5.      | Narayanpuram        | 599          | 599            | Tie & Dye Cotton Sarees, Silk Sarees and Mercerised Sarees   |
| 6.      | Gadwal Region       |              |                | Silk and cotton sarees, dress material, furnishing, etc.   |
| 7.      | Uppada              |              |                | Fine mulls, dhotis, Jamdhani Sarees, etc.  |
| 8.      | Warangal            |              |                | Durries  |
| 9.      | Karimnagar          |              |                | Bedsheets, Bed Covers, Sarees  |
| 10.     | Pondicherry         |              |                | Dhoties, Mulls   |
| 11.     | Elura               |              |                | Bedsheets, Towels, Carpets etc.  |
| 12.     | Athimanjanpet       |              |                | Gadas, Duppatas  |

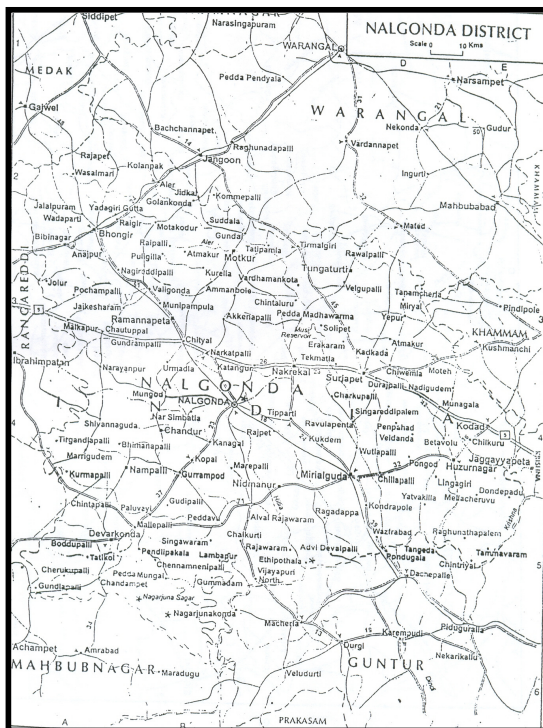
**Pochampally**  
**Ikot:**

**Market Analysis of Pre**  
**& Post Registration**  
**Periods under GI Act**

## Chapter - 3

### Pochampally Handloom Cluster

Pochampally, a small town in Nalgonda district of Andhra Pradesh, is a handloom cluster



known since centuries for its unique Ikat design. About 50% of the population of Pochampally depends on handlooms. There are about 100 master weavers in Pochampally, once dominated by co-operatives. There are also a few weavers who try to produce on their own and sell the products to local traders.

Usually the master weaver/society hands out silk yarn amounting to

There are around 1000 weaving households in Pochampally and an estimated 5000 weavers, working on approximately 2000 pit looms.

a warp of 8 sarees – to weavers. It is the job of the weavers to carry out the pre-loom tasks such as tying, dyeing, etc., as well as weaving. A warp of 8 sarees, takes anywhere between 30-45 days to finish and the wages to the weaver range between

Rs.1500-Rs.2500. This varies depending on the design. There are around 1000 weaving households in Pochampally and an estimated 5000 weavers, working on approximately 2000 pit looms.

### 3.1 Historical Performance of Pochampally Handloom Weaving

Pochampally handloom weaving cluster is a natural cluster of its kind in Nalgonda district of Andhra Pradesh. It is known as a centre of handloom silk saris, which is developed over the past fifty-five years. This is also known as Bhoodaan Pochampally, where Sri Vinobha Bhave started Bhoodaan Moment during 1951. Around 50 percent of the population depends upon handlooms. Pochampally textiles are woven by using tie and dye technique of yarn. Tie and dye technique is the specialty of the cluster. In this process, wherever color is not required in the yarn, there the yarn bundles will be tied with rubber strips before going for dyeing. Two processes vat and naphthol dyeing according to the requirement will dye yarn bundles. Apart from major activity of silk saris; it also produces cotton saris, dress materials, bed sheets, furnishing fabrics and wall hangings. Tie and dye textiles of Pochampally considered being one of the best textiles and commanding a wide market both within the country and overseas. These products are produced in the traditional pit looms, where there are around 2000 such looms in this cluster. The Pochampally art of the tie and dye is completely in the hands of famous 'Padmasali' weaver's community.

**Pochampally Ikat:**

**Market Analysis of Pre & Post Registration Periods under GI Act**

### 3.1.1 Product:

Pochampally textiles were famous right from 1900 during Nawab Salarjung's period. During the period, Pochampally textiles woven by 20's cotton were known as 'sooseelu'. Artisans of Pochampally with their creative skills started manufacturing tie and dye rumals, which were become famous as 'Asia rumals', 'sobiyani rumals', 'Golkondalu', 'jananilu', 'mardanilu' etc. at that time, these 'thans' not only famous in and around Hyderabad but also exported to Pakistan, Afghanistan and other West Asian countries. Pochampally was in problem in the year 1949, when Nawab's rule was ended (17.4.1948) and there was a discontinuity of the contacts with the Hyderabad business elite. But in the five-year plan by Pandit Jawaharlal Nehru, handlooms were given priority after agriculture. During the period (1950) with the efforts of Andhra Pradesh leaders like Sri Konda Lakshman Bapuji, Sri Pragada Kotaiya, Sri Guntaka Narasiya and others, weavers started benefiting under co-operative movement and Handloom Co-operative Society started in Koyallagudem which is 20 kms away from Pochampally. Weavers of Pochampally found it difficult to bring raw material and deliver finished goods on foot all the way to Koyallagudem. So in the year 1952 they opened a branch at Pochampally, which was become independent society in 1955.

Artisans of Pochampally with their creative skills started manufacturing tie and dye rumals, which were become famous as 'Asia rumals', 'sobiyani rumals', 'Golkondalu', 'jananilu', 'mardanilu' etc. at that time, these 'thans' not only famous in and around Hyderabad but also exported to Pakistan, Afghanistan and other West Asian countries.

Pochampally rumals were exhibited in All India Handicrafts exhibition, Delhi in the year 1954, where it attracted hues crowds and few of them also asked to try saris by using same technique if tie and dye. During the exhibition, Directorate of All India Handicrafts also honoured the artisans Sri Chiluveru Kanakaiya and Sri Tadaka Pedda Yadagiri. In 1950s Pochampally's name occupied special place in the Indian history, where 'bhoodaan' movement started by Sri Vinobhaji from Pochampally (18.4.1951). Slowly attracted prominent leaders, officials from all the corners to Pochampally to take part in the movement. These visitors were use to visit society. With this people's appreciation, popularity of Pochampally textiles further expanded to different parts.

Artisans of Pochampally started their efforts to weave tie and dye saris by 60s. Within short time, it started gaining its popularity. In the year 1956, Smt. Kamala Devi Chatopadadhya, Director All India Handloom Board and Sri Dayaram, Director, cottage industries, who visited the society, were astonished by seeing the saris woven with tie and dye technique. They further advised to go for silk saris. Artisans expressed their limitations about know how of silk weaving. With in no time, All India Handloom Board arranged training programme for two weavers of Pochampally in Banaras to acquire know how of silk weaving. Two weavers namely, Sri Karnati Ananthramulu and Sri Karnati Manikyam learnt the art of silk weaving in 96 days, after facing lot of difficulties. Board also supplied suitable silk weaving machinery. But they have not succeeded in dyeing, where they were not getting

proper shade and color fastness, as they have adopted methods and colors which they were using for cotton where as traders were demanding for tie and dye saris.

Pochampally is well known for its ethnic products. Pochampally textiles are woven by using tie and aye technique of yarn. Tie and dye technique is the specialty of the cluster. In this process, wherever colour is not required in the yarn, there the yarn bundles will be tied with rubber strips before going for dyeing. Two processes vat and naphthol dyeing according to the requirement will dye yarn bundles. Tie and dye textiles of Pochampally considered to be one of the best textiles. Over the years this cluster is manufacturing tie and dye silk saris, mostly in geometric designs. Same old designs are continuing. Only limited efforts are made in adopting new designs. Of late, this cluster started product diversification to dress materials, home furnishings and wall hangings in both silk and cotton for catering the growing demand of the consumers. They have not succeeded much in these diversified products. This happened mainly because of poor market strategies and also to some extent resistance from weavers to change their mind set-up. Sometimes change in design/product become costlier as it consuming more raw materials and man-days, which they cannot, offered to. So, there is no much progressive improvement of its products and process. Further, the weaver/artisans lacked the working capital to purchase raw material, invest in process time and in the marketing function.

**Products of Pochampally Cluster**

|                          |                |
|--------------------------|----------------|
| Cotton Products          | Silk Products  |
| Sari                     | Sari           |
| Dress material           | Dress material |
| Fabrics                  | Fabrics        |
| Dupattas                 | Dupattas       |
| Bedsheets, pillow covers | -----          |
| Handicrafts              | -----          |

### 3.1.2 Tie and dye saris:

One trader Sri Kodanda Raman of Radha silk Emporium of Kumbhakonam expressed his desire to take Pochampally skilled artisans to Kumbhakonam to weave silk saris in tie and dye method and he was ready to pay what ever the amount they demanded. Artisans namely, Sri Karnati Vasudev, Sri Karnati Ananthramulu, Sri Pottapatni Bikshapathi and others took this opportunity to learn silk dyeing. They worked there for a year and returned back to Pochampally. On their return to Pochampally, they brought required silk yarn and chemicals and started successfully weaving of tie and dye silk saris at Pochampally. In the year 1959 and 1961 these tie and dye silk saris were exhibited in Bangalore, which was organized by All India Khadi Commission. In both the times, saris exhibited by Pochampally received honour of Silver Vessel in both the times by Maharaja of Mysore. The Weavers' Service Centre, Hyderabad brought master

The Pochampally designs and name occupied in the Indian textile sari seen, was attracted by big mills and then to power looms. So these mills/power looms started copying these designs, which was started available in cheaper rates.



weavers from Sambalpur, Orissa to train the weavers in new designs and patterns and particularly in tie and dye technique. This has attracted the consumers in short period as the weavers adopted the techniques to silk saris. Thus Pochampally developed as a centre of handloom silks in the entire country. Pochampally saris also received very good response in New Delhi's exhibition in 1966. By looking at the response, few members of the society, started pressurizing the society to go for more silk weaving, whereas, society management was not in a favour. So, some weavers moved out of society and started weaving independently and started dealing directly with traders.

The Pochampally designs and name occupied in the Indian textile sari seen, was attracted by big mills and then to power looms. So these mills/power looms started copying these designs, which was started available in cheaper rates. Pochampally did not made sufficient efforts to campaign for real differentiation of Pochampally sari. Weaving on handlooms is a labour intensive process, therefore the skills of the weavers are to be upgraded and modernized, whereas they fail to change their old designs/products. Unethical marketing and cut throat competition among traders reducing the quality and count of Pochampally skills. This way Pochampally down fall started and it reached to position of stand still as on date. The general decline in the consumption of handloom textiles in South India and consequent decline in the number of handlooms in Andhra Pradesh did also affect the handlooms in Pochampally. It is estimated that between the estimates of Shivaram Committee and the Government of India census of Handlooms in 1987-88, 3.77 lakh handlooms have been wiped out in Andhra Pradesh alone. Further the competition from mill cloth and other fibers along with modern technology and fashion designs made the Pochampally handlooms less competitive in the market. In totality the situation is clearly visible in terms of the piling of stocks in the market.

### 3.1.3 Socio-Economic Status:

It is understood that majority of the population among the weavers (around 90%) have gone up to school level only. Benefit of higher education was found to less than 5 percent. It appears that the children in the household are becoming an economic asset once he/she reaches the age of 10 and is involved actively in the various processes of weaving in the household. On an average 2-3 members per family are in the family occupation. It is found that most of the families along the weavers have more than 5 members in the family. Estimated households income range is up to 8 to 10 thousand per annum. It is found that around 50 percent of the families are living below poverty line and 25 percent of the families with acute poverty. There is a fear of serious problems of under consumption and destitution that might lead to starvation deaths, if the situation in the market does not alter in the near future.

### 3.1.4 Finance:

During the 1900s, when textiles at Pochampally started, traders from Hyderabad used to provide finance for to purchase require raw material. During that period, weavers use to get yarn and colors on ration from Secunderabad, on the basis of looms, certified by village officer. In the middle of

1900s Hyderabad which was under Nawab's rule bought in the main stream of India. During the period Pochampally received set back, due to decline in export links finance from traders also declined. This made weavers to form Co-operative society in Koyallagudem. When Pochampally started Co-operative society on their own and it was received support from HYCO as joint partners. Even this joint production agreement was broken in the year 1958, still it was continued to with stand with traders' support. Traders from Bombay and other places used to visit society and pay in cash or supply raw materials. During this period, due to Bhoodan movement, Pochampally society used to attract plenty of visitors and they were receiving good support from traders' too. This gave thought to weavers to weave independently, independent weavers and society were in financially comfortable position as traders from different places of India (more from Gujarat, Maharashtra, Orissa, and West Bengal etc.) used to visit Pochampally and book their orders. So, it continued to enjoy the position, as long as Pochampally textiles were in demand. But problem was started in 1990s when Pochampally loosing its demand. Now they are pressurizing for Government's help in particular to APCO to lift the stock and pay the money for survival. Poor financial condition made them to depend only on credit, right from raw material purchase to sale of final products and they are not finding any way to come out of this.

### **3.1.5 Market:**

In the initial stages, the traders of Hyderabad marketed Pochampally textiles. Even when, textile items produced by Pochampally were in great demand both in domestic and in West Asian countries, market was only in hands of traders. Artisans/weavers were to only supply or sell to these traders. Because of this reason, when the traders went away after Nijam's rule, they were failed to survive, as they were not having any idea about their own market. But within short period it was able to withstand with the help of Co-operative movement and by HYCO, which was made special effort to market in the initial stages. Then thanks to 'Bhoodan' movement, where it attracted persons from various places. During this period this new product attracted by many visitors and got advertised without the marketing efforts of Pochampally weavers. So, inflow of the traders to Pochampally, and newness in the product was made Pochampally in to demand oriented market. Mill/power loom people who started copying these designs during the 1990s slowly captured this. During the period, Pochampally was not made sufficient efforts to withstand the competition by way of product/design diversification. Less exposure to market also further worsened the situation. With this resulted accumulation of crores of rupees worth stock as on date even after assistance from the Government. The slump in the market for Pochampally products might force some of the weavers to commit suicide to avoid humiliation and suffering.

Thus, Pochampally has experienced steady growth over past fifty-five years. But started declining by limited market efforts, lack of design innovation and near stagnancy in weaver's skills. This lead to pile up of huge stocks and Pochampally reached a state of stand still and weavers started agitation. Then State Government intervened and lifted stock in bulk quantity through APCO from

Pochampally and gave some relief to the weavers. APCO initiated the sales of these items through special exhibitions at various places within the State; Hyderabad, Vishakapatnam, Vijayawada, Kurnool etc. and outside the State; Mumbai, New Delhi, Indore, Baroda, Bangalore, Trivendrum etc. The economic status of the weavers with reference to the size of the family, per capita income, capital investment, financial investment, availability of raw material, the indebtedness of the weavers also influenced the present fate of the situation. Weavers in Pochampally are in a debt trap as the amount of loan in many cases is found to be more than their annual income and the rate of interest makes the amount multiple almost in every three years. Around 200 may be defaulters in the local two NGB and Canara banks. As on date more than Rs. 10 crore worth unsold stock is in Pochampally. Price competition and credit sales further worsened their financial condition.

### 3.2 Nature of Production Activity

About 800 looms are in the co-operative sector in the cluster. They are under the fold of “Pochampally Handloom Weavers Co-operative Society Limited”. Majority of the rest is working for the master weavers. Though production in the co-operative sector was predominant, only 15 to 20 percent of the looms in the sector are active today. So, weavers are depending on job-work. Traders procure orders and organize production through a network of master weavers. There are over 100 master weavers are

To complete the entire process of weaving, weavers generally take minimum 30 to 45 days, for which entire family members are engaged.

operating in Pochampally. These master weavers/manufacturers are having the association called “Pochampally Handloom Tie and Dye Manufacturers Association”. In some cases, weavers manufacture on their own and sell it to local/Hyderabad traders. General prevailing practice of the cluster is Society/master weaver supply the silk yarns to the weavers. They will carry out degumming, mercerizing, dyeing, weaving preparatory, and weaving at their home. For each design, society/master weavers supply the raw materials for 8 saris. To complete this, weaver will take minimum 30 to 45 days, for which entire family members will be on job. For 8 saris weaver will get on an average Rs. 1500/- to Rs. 2500/- as conversion charges. The rates will vary from design to design.

#### 3.2.1 Raw Materials:

The handloom sector needs raw material in the form of yarn, colors etc. as Pochampally is concentrating in specializing silk saris, the silk yarn comes from neighboring states, as there is no yarn production in Pochampally. It is found that yarn is bought from Karnataka. Charka fine quality silk yarn is used for making tie and dye silk saris. In warp they are using 16-18 denier and in weft 24-26 denier. Silk yarn traders are locally available, KSMB, SERFED are also in the field of yarn trade. These traders are also formed association name as “Pochampally yarn traders association”. But majority of the purchases is from Bangalore, Mysore and Anantpur.

### 3.2.3 Quality:

Poor money flow forcing the SMEs to go for credit facility while purchasing the raw materials, with this they are giving very low profile to quality. Even though, they are having few complaints like more percentage loss of silk yarn after de-gumming, poor quality of dyes, adulteration in dyes etc. poor financial position forced them to accept the problem. They don't have the concept of quality checking to the end products. Products are subjected to physical checking by the point of view to decide the conversion charges to be paid to weaver and for cost calculations. They don't have much knowledge and know-how of the different parameters of the quality and its testing.

### 3.2.4 Marketing:

Once the finished product is ready, it must find a buyer. As the weaver is economically weak and need the return immediately as he cannot wait for the sale of the products for a long-time. In fact the frequency with which he sells the products determine his economic well-being of the weaver spends around two weeks to produce a cloth and wait for another four weeks to sell it, the precious labour time and his working capital is held up. This will create not only economic problems to the weaver but also create pressures to sell the product at a low price or through under cut so as to survive him and the family. The weaver is under great pressure to sell his product at a non-remunerative price to avoid cumulative interest and just to keep him engaged in weaving.

SMEs at Pochampally don't have any systematic market strategy. Few varieties of Pochampally materials are going for exports. But it is through some middleman; so cluster SMEs doesn't have any idea about exports. Master Weaver is marketing their material through their shops/show rooms at Pochampally. Buyers/traders from different states are coming to Pochampally,

SMEs at Pochampally don't have any systematic market strategy. Few varieties of Pochampally materials are going for exports. But it is through some middleman. Hence cluster SMEs doesn't have any idea about exports. Master Weavers are marketing their material through their shops/show rooms at Pochampally.

for purchase. But, slowly inflow of these buyers has come down by day by day. SME actors slowly started visiting to buyers on selective basis to improve their business. Even Co-operative Society is having their shop only at Pochampally. 70 to 80 percent of the society sales are through exhibitions. Major market for Pochampally textiles lies in Gujarat, Maharashtra and West Bengal.

Poor market strategy of SMEs is the main hurdle for product diversification, modernization as their products are not projected/campaigned suitably. They don't have proper market linkages to get information on fashion trends. Internal price competition amongst these artisans lowered their own margins.

### 3.3 Modernisation and Upgradation of Skills/Equipments:

The emergence of the cluster is attributed to the deft weaving skills possessed by the weavers. This skill is transferred generation to generation without much diversification and technique. Even though efforts were made for loom modernization and skill improvement by the BDS, it has not been

benefited due to traditional mindset of the weavers. Communication facilities are limited to telephone only. Most of them not even have fax facility. So, question of computerization and Internet does not arise. They even not realized the importance of these facilities and utilization of CAD for design making.

### 3.4 The Cluster Development Intervention:

Textiles Committee, through its cluster development programme, seeks to build capacity at all levels among the different stakeholders, which includes manufacturers, co-ops and weavers. It also seeks to bring together a range of institutions and business service providers such as financiers, etc. assessing the welfare and other schemes of the Government are not outside its preview. Broadly adopting the methodology of UNIDO, a diagnostic study was conducted, based on which an action plan was prepared keeping in mind all stake holders. The action plan details a complete road map for the cluster development, action benefits and results from such action including time frame. Since Pochampally has a natural cluster of about 5000 weavers weaving Ikats on handlooms, Textiles Committee launched a cluster initiative under its Cluster Development Programme with aim to commercialise this unique skill and product. The fact that Pochampally was in crisis at the time of intervention could have been an additional factor in the choice of the cluster.

The Textiles Committee launched a cluster initiative under its Cluster Development Programme with the aim to commercialise this unique skill and product. The fact that Pochampally was in crisis at the time of intervention could have been an additional factor in the choice of the cluster.

Pochampally was thus identified as a type three cluster – with enough number of principal firms; medium existence of related enterprises; but interaction among firms and institutions being nil; similarly, no joint effort for profit; nor is there any networking between private and public service provides.

**3.4.1 The Mission:** The broad outline drawn for the strategic interventions includes infringement.

1. Protect the art form
2. Upgrading the skills: For instance, use of new kinds of yarns, such as micro modal yarns, which will require technical advice and sorting out of dyeing problems.
3. Product development and diversification: To further develop design and product range of Ikat products for clearly segmented markets. This would also involve training weavers in adopting the right product mix and value addition, besides getting them accustomed to CAD/CAM design and colour forecasts.
4. Propagating and popularising the “Made in Pochampally” by developing specific policy mechanism for brand building and market linkage.

### 3.5 Production Process of Pochampally Ikat

The weavers of Pochampally generally use pit looms for weaving saris, dress materials and other products of silk and cotton yarns. The weavers generally use wooden looms of its own pattern having elaborate and crowded arrangements of cotton stings from top to bottom. The whole process of making the product is carried out under one roof that to in their own houses that includes pre-treatment of yarns, tying and dyeing and weaving.

In principle, Pochampally Ikat or resist dyeing, involves the sequence of tying (or wrapping) and dyeing sections of bundled yarn to a predetermined color scheme prior to weaving. Thus the dye penetrates into the exposed section, while the tied section remains undyed. The patterns formed by this process on the yarn are then woven into fabric. Telia rumal are one such type of Pochampally Ikat.

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(a) **Procurement of raw materials** – Selection and acquisition of the selected raw materials



**Cotton yarn**

Chennai,

Calcutta and Hyderabad and Maharashtra.

Raw silk is specially treated for Ikats and the process requires the considerable patience and labour. The cost of raw material varies depending upon the source and season.

and to make it fit for use are the most important first step. The process starts with the selection of silk/cotton yarns, which is of various qualities and imported from various production centres. The popular destinations of the raw material are



**Silk warn varn and silk weft varn**

The cost of silk warp yarn is Rs.1550/kg which rises to Rs.2000/kg at the times of occasions like Diwali. The cost of silk weft yarn is Rs.1300/kg, which rises to Rs.1500/kg during season. Similarly, the cost of cotton yarn (warp and weft are same) is Rs.950-1000/kg.



- (b) **Degumming of silk yarn** - The process of elimination of gum or sericin from raw silk is known as degumming of silk. Because, undegummed silk is not soft to touch and lacks in lustre and the fiber is in rigid and stiff form. So degumming is carried out to remove sericin and other impurities present in silk to impart the lusturous and softness effect on silk.

Degumming is carried out by

- Extraction of water,
- Treatment with alkali,
- Digestion with enzymes,
- Treatment with acids.



**Silk yarn degumming**

Only extraction with water is the safer process because of minimum degradation of silk fibre and the same is carried out for Pochampally products.

- (c) **Preparation of design on point paper** - A design generally taken from a sample cloth is selected and analyzed using graph paper. The pattern section is drawn out and then broken down into units. The designs are decided keeping in mind the product, its size. For example, rumals are often designed with two motifs repeated across the cloth 2, 3, 4 or more times. Some rumals have a single motif with no repeats, but this generally increases time required to tie the yarn patterns. Repetition reduces cost. Simply making a single motif symmetrical reduces the tying of units by half.



Making designs on graph. Design called as 'PANPATOLA'.

- (d) **Preparation of frame -**



- (e) **Design marking on yarns** - the design made on point paper is then transferred on the



yarns by marking in such a way that it shows which part of the yarn has to be tied and which part has to be dyed.

- (f) **Tying of yarns** - The graph design is used to make a guide string the length of the folded warp, with unit width marks enabling accurate marking. The areas to remain white and black



are tightly wrapped separately to resist the dye bath. Originally plant material such as palm leaves were used for this purpose. However cotton string is used now for segments of fine design and strips of rubber tyre inner tube where the design requires exclusion of dye from longer segments. The string is used first to wrap all areas that are only one graph square wide with only one or two wraps. Then the wider segments are covered. When all wrapping is completed, the warp is placed in a container of water to

#### **Tying with rubber tube**

‘wet it out’, enabling more even penetration of the dyestuffs.

- (g) **Dyeing** - The yarn is then added to the dye bath and worked by hand to penetrate the areas between the tightly bound resist areas. After thorough saturation of yarn, the vessel is taken to the fire to boil for an hour or two. The yarn should remain in the dye bath until cooling has been completed. If the intensity of the colour is not satisfactory, the process is repeated with a fresh



#### **Dyeing of yarns**



batch of dye.

The unwrapping requires great care especially with the fine cotton ties to avoid cutting the dyed threads. Displacement of the design can occur if length of a warp thread is changed. Mending can be achieved by skillful twisting of the threads causing minimum effect. After unwrapping, the warp is unfolded to full length, dipped in starch and taken

outside to dry. Starching of the warp helps to keep the design alignment.

The warp yarns and weft yarns are dyed separately according to the design to be achieved by the intersection of the warp and weft yarns.



**Drying of dyed yarns**

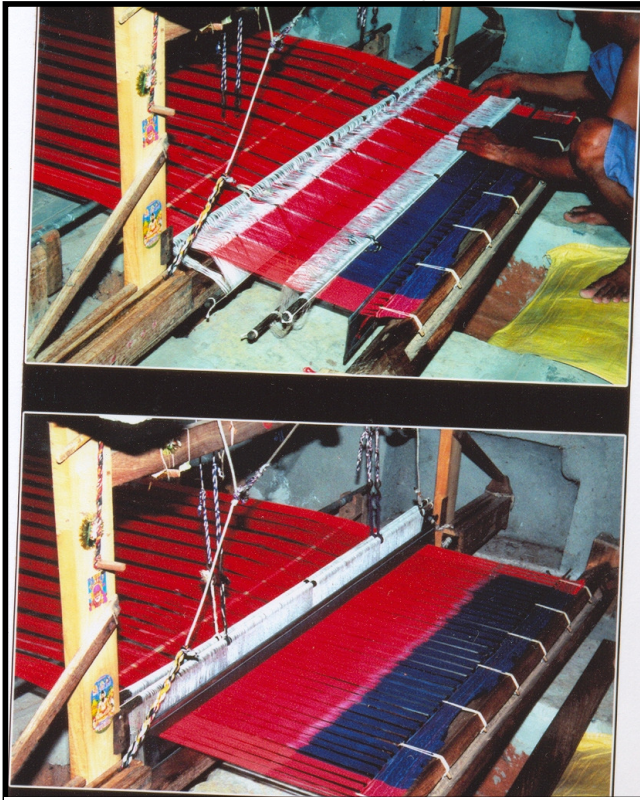
(h) **Yarn drying** – The yarns which are dyed are then dried in the shade so as to avoid fading of colours. After drying, the tied rubber tubes or threads are removed and making the yarns ready for warping as well as pirn winding.

(j) **Reeding** – The warp yarns are wound on the reed making it ready for warping. Similarly, the weft yarns are rewound for the weft preparation.



**Reeding the warp yarns and weft yarns**

- (k) **Warping the loom** - The warp is now ready to be attached to the reed of the loom by twisting the ends with the remains of the previously woven cloth, left as a small segment in the reed. The repeated design elements are placed in the correct order and the plain red



Warping the loom

border threads and white stripes and edges are added. When attached, the ends can be pulled through the reed and heddles saving a great deal of time. It is then taken outdoors to make any repairs where there is space to stretch the length out fully. The warp, after repair, is then folded up neatly to be carried to the loom. Setting up the loom requires great precision to maintain the design alignment so carefully calculated when executed in tying.

The heddles are hooked on, reed set in place and front ends of warp are attached to the breast beam of the loom. Lease sticks are left in, behind the heddles, to keep the threads in order.

Then the weaver goes to the back of the loom and stretches the warp out the length of the room, attaching the loose ends to a pole. Much care must be taken to get even tension and perfect alignment. A wide brush is used behind the heddles to help release the starched yarns from each other.



- (l) **Weaving** - The weaving begins using a fly shuttle, operated by pulling a cord in the centre of the loom. When weaving the plain fabric borders this can go extremely fast, but with the double ikat central design, each throw of the shuttle has to be carefully checked to ensure precise design intersection. However there is always an unavoidable slight movement of yarn that create a 'feathered' edge to the motifs. At this beginning stage adjustments are made to any imperfections of alignment by tightening or loosening specific warp



threads. It is important to frequently check behind the heddles to loosen any yarns that are twisted or stuck together by starch. Broken threads can be mended as the work progresses. A Master Weaver can weave the full length of eight rumals in 4 or 5 days, however the average weaver could take several weeks to complete the piece. The weaving continues until all the dyed yarns are used and particular product is completed. When finished, the fabric is starched. When dry the product is inspected for any flaws that are then mended. This finishes the lengthy process.

Because the greatest time is taken with the creation of the tie-dyed warp and weft, more than one set of threads is normally prepared at one time. The amount will vary depending on the number of repeats across a design and also how many threads are in each unit of the design. There is a limit to how many threads can successfully be tied together and resisted at one time without distortion of the design. Too large a bundle of threads should be avoided. Some fine curved designs have many units but very few threads in each group, helping to create smooth curving lines rather than sharply stepped outlines. As a consequence more duplicate warps could be tied at one time in such groups. On an average eight warps containing eight rumals each would be prepared together. An equal amount of weft is prepared to complete the weaving of the warps, helping to rationalize the time spent in preparation.

(m) **Folding and packing** - The final product is then folded and packed.



## Chapter - 4

### IPR Protection through Geographical Indication Act

#### 4.0 Introduction:

The handloom industry is an age-old industry that provides livelihood to millions of village craftsmen in the country. In terms of employment potential, it is only next to agriculture with 124 lakh persons engaged in textile production on 36 lakh active looms. The number of idle looms is placed at 2.79 lakh as per the 1987-88 census. Further, 65.33 lakh persons are directly employed in the weaving and preparatory work on the above active looms. However, full time weavers are only 22.43 lakh along with 10.96 lakhs on preparatory work. In addition, the part-time weavers and preparatory work artisans are placed at 31.95 lakh. The estimated production of this sector is 5493 million square metres out of the total 42383 million square metres of cloth production. This excludes the khadi, wool and silk production of 662 million square metres. Thus the share of the sector is 12.96 percent of the total textile production. Major items produced in the sector are Sarees, Dhoti, Gamcha, home textiles, ladies dress material, real madras handkerchief etc.

To protect the livelihood of these handloom weavers, government of India has introduced the handlooms reservation act (1985). The act restricts unauthorised manufacture of some of the reserved products by the powerloom/mill sector. Though the act is pivotal in giving livelihood to the poor handloom weavers, it keeps mum on the unlawful use of the brand name of the products that are being produced in the handlooms.

Prior to the commencement of the Geographical Indication Act by Indian parliament, the designated products were protected in three ways i.e. (i) under the consumer protection acts (ii) through passing off actions in courts and (iii) through certification marks.

#### 4.1 About Geographical Indication Act:

India geographically is having a rich heritage of products that could identify the origin of each such product, which are unique to each place, so much so that a similar product cannot be obtained from any other region, even within the country.

Governments have been protecting trade names and trademarks used in relation to food products identified with a particular region. Since at least the end of the 19<sup>th</sup> century, using laws against false trade descriptions or passing off, which generally protect against suggestions that a product has a certain origin, quality and association when it does not. In such cases the consumer protection benefit is generally considered to outweigh the limitation on competitive freedoms represented by the grant of a monopoly of use over a geographical indication.

In many countries the protection afforded to geographical indications by law is similar to the protection afforded to trademarks, and in particular, certification marks. Geographical indications law restricts the use of the geographical indication for the purpose of identifying a particular type of product, unless the product or its constituent materials originate from a particular area and/or meet certain standards. Sometimes these laws also stipulate that the product must meet certain quality tests that are administered by an association that owns the exclusive right to the use of indication. Although a geographical indication is not strictly a type of trademark, as it does not serve to exclusively identify a specified commercial enterprise, there are usually prohibitions against registration of a trademark, which constitutes a geographical indication. In countries that do not specifically recognize geographical indications, regional trade associations may implement them in terms of certification marks. Geographical indications are particularly important in Europe, where there has been a long tradition of associating certain food products with particular regions. Under European Union Law, the protected designation of origin system, which came into effect in 1992, regulates the following geographical indications:

**Protected designation of origin (PDO), protected geographical indication (PGI) and traditional specialty guaranteed (TSG).**

The system used in France from the early part of the 20<sup>th</sup> century is known as the appellation d'origine contrôlée (AOC). Items that meet geographical origin and quality standards may be endorsed with a government – issued stamp which acts as official certification of the origins and standards of the product to the consumer. Examples of products that have 'appellations of origin' include Tequila (spirits), Jaffa (oranges) and Bordeaux (wines).

The consumer – benefit purpose of the monopoly rights granted to the owner of a geographical indication also applies to the trademark monopoly right. Geographical indications have other similarities with trademarks. For example, they must be registered in order to qualify for protection, and they must meet certain conditions in order to qualify for registrar. One of the most important conditions that most governments have required before registering a name as a geographical indication is that the name must not already be in widespread use as the generic name for a similar product of course, what is considered a very specific term for a well known local specialty in one country may constitute a generic term or generalized trademark for that type of product. For example, parmesano cheese in Italy is known as Parmesan cheese in Australia and the United States.

Like trademarks, each country regulates geographical indications locally because conditions of registration such as differences in the generic use of terms vary from country to country. This is especially true of food and beverage names, which frequently use geographical terms, but it may also be true of other products such as carpets (e.g. Shiraz), handicrafts, flowers and perfumes.



International trade made it important to try to harmonize the different approaches and standards that government used to register geographical indications. The first attempts to do so were found in the Paris Convention on trademarks (1883), followed by a much more elaborate provision in the 1958 Lisbon Agreement on the Protection of Appellations of Origin and their Registration. Few countries joined the Lisbon Agreement, however: by 1997 there were only 17 members (Algeria, Bulgaria, Burkina Faso, Congo, Cuba, Czech Republic, France, Gabon, Haiti, Hungary, Israel, Italy, Mexico, Portugal, Slovakia, Togo, and Tunisia). Lisbon Agreement members as of 1997 registered about 170 geographical indications.

#### 4.2 Provisions of TRIPS:

In 1994, when negotiations on the WTO Agreement on **Trade Related Aspects of Intellectual Property Rights** (TRIPS) were concluded, governments of all WTO member countries (148 countries as of September 2003) had agreed to set certain basic standards for the protection of geographical indications in all member countries. There are, in effect, two basic obligations on WTO member governments relating to geographical indications in the TRIPS agreement:

1. **Article 22** of the TRIPS agreement says that all governments must provide legal opportunities in their own laws for the owner of a geographical indication registered in that country to prevent the use of marks that mislead the public as to the geographical origin of the good. This includes prevention of use of a geographical name which although literally true “falsely represents” that the product comes from somewhere else.
2. **Article 23** of the TRIPS agreement says that all governments must provide the owners of geographical indication the right, under their laws, to prevent the use of geographical indication identifying wines not originating in the place indicated by the geographical indication. This applies even where the public is not being misled, where there is no unfair competition and where the true origin of the good is indicated or the geographical indication is accompanied by expressions such as “kind”, “type”, “style”, “imitation” or the like; similar protection must be given to geographical indications identifying spirits.

Article 22 of TRIPS also says that governments may refuse to register a trademark or may invalidate an existing trademark (if their legislation permits or at the request of another government) if it misleads the public as to the true origin of a good. Article 23 says governments may refuse to register or may invalidate a trademark that conflicts with a wine or spirit geographical indication whether the trademark misleads or not.

Article 24 of TRIPS provides a number of exceptions to the protection of geographical indications that are particularly relevant for geographical indications for wines and spirits (Article 23). For example-

members are not obliged to bring a geographical indication under protection where it has become a generic term for describing the product in question. Measures to implement these provisions should not prejudice prior trademark rights that have been acquired in good faith; and, under certain circumstances-including long-established use-continued use of a geographical indication for wines or spirits may be allowed on a scale and nature as before.

In the Doha Development Round of WTO negotiations, launched in December 2002, WTO member governments are negotiating on the creation of a 'multilateral register' of geographical indications. Some governments participating in the negotiations (especially the European communities) wish to go further and negotiate the inclusion of geographical indications on products other than wines and spirits under Article 23 of TRIPS. These governments argue that extending Article 23 will increase the protection of these marks in International Trade. This is a controversial proposal, however, other governments including the US who question the need to extend the stronger protection of Article 23 to other products oppose that. They are concerned that Article 23 protection is greater than required, in most cases, to deliver the consumer benefit that is the fundamental objective of geographical indication laws.

A **Geographical Indication** is a sign used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that place of origin. Most commonly, a geographical indication consists of the name of the place of origin of the goods. Agricultural products typically have qualities that derive from their place of production and are influenced by specific local factors, such as climate and soil. Whether a sign functions as a geographical indication is a matter of national law and consumer perception. Geographical indications may be used for a wide variety of agricultural products such as, for example, "Tuscany" for olive oil produced in a specific area of Italy (protected, for example in Italy by law no. 169 of February 5, 1992), or "Roquefort" for cheese produced in France (protected, for example, in the European Union under Regulation no. 2081/92 and in the united states under US certification Registration Mark no. 571.798)

The use of geographical indications is not limited to agricultural products only. They may also highlight specific qualities of a product, which are due to human factors that can be found in the place of origin of the products, such as specific manufacturing skills and traditions. That place of origin may be a village or town, a region or a country. An example for the latter is "Switzerland" or "Swiss", which is perceived as a geographical indication in many countries for products that are made in Switzerland and, in particular, for watches.

A geographical indication points to a specific place or region of production that determines the characteristic qualities of the product that originates therein. It is important that the product derives its qualities and reputation from that place. Since those qualities depend on the place of production, a specific “link” exists between the products and their original place of production.

The geographical indication points to a specific place or region of production that determines the characteristic qualities of the product that originates therein. It is important that the product derives its qualities and reputation from that place. Since those qualities depend on the place of production, a specific “link” exists between the products and their original place of production

Geographical indications are understood by consumer to denote the origin and the quality of products. Many of them have acquired valuable reputations, which, if not adequately protected, may be misrepresented by dishonest commercial operators. False use of geographical indications by unauthorized parties is detrimental to consumers and legitimate producers. The formers are deceived and led into believing to buy a genuine product with specific qualities and characteristics while they are in fact get a worthless imitation. The latter suffer damage because valuable business is taken away from them and the established reputation for their products is damaged.

The difference between a geographical indication and a trademark is that a trademark is a sign used by an enterprise to distinguish its goods and services from those of other enterprises. It gives its owner the right to exclude others from using the trademark whereas a geographical indication tells consumers that a product is produced in a certain place and its certain characteristics that are due to that place of production. All producers who make their products in the place designated by a geographical indication and whose products share typical qualities may use it.

Geographical indications are protected in accordance with national laws and under a wide range of concepts, such as laws against unfair competition, consumer protection laws, laws for the protection of certification marks or special laws for the protection of geographical indications or appellations of origin. In essence, unauthorized parties may not use geographical indications if such use is likely to mislead the public as to the true origin of the product. Applicable sanctions range from court injunctions preventing the unauthorized use to the payment of damages and fines or, in serious cases, imprisonment.

#### **4.3 Main objectives of GI:**

- It confers legal protection to the products; safeguards unauthorized use of the products by the others.
- Promotes economic prosperity of the producer of goods or idea.

- It provides a form of “collective monopoly right” assigned to the producer(s) either within or outside the relevant geographical area.
- It allows registered proprietor to initiate legal action against unauthorized users
- It reduces/eliminates such unfair competition for the benefit of both genuine producers and consumers.

#### 4.4 Geographical Indications in India:

Initially, the products with uniqueness and originating from a place in India are protected through some existing laws, **(i) under consumer protection Act, (ii) through passing of actions in courts and, (iii) through certification marks.** Such legal provisions are not sufficient to protect the geographical indications of India in the changing world scenario as innumerable foreign companies and traders are free ridings on the goodwill and reputation associated with such renowned geographical names of Indian product for years.

India being a signatory of WTO and TRIPS requires protection of its different products originated in India with specific quality and geographical origin so that other countries cannot replicate the products for their own advantage. If not protected in time, the producer of other countries can use these

Initially, the products with uniqueness and originating from a place in India are protected through some existing laws, (i) under consumer protection Act, (ii) through passing of actions in courts and, (iii) through certification marks.

quality and uniqueness for exploiting the market for their own advantage. For example, the tea producers of Kenya can use the world famous appellation of “Darjeeling” on the package of their tea with the aim of free riding on the renowned associated with it, and encroach upon the existing market of Darjeeling tea. Ultimately, the producer of the Darjeeling tea will be the loser. India could not prevent a Texas based company from selling rice produced in America as traditional basmati type or American basmati. It is because the basmati rice was not protected under geographical indications. These products if allowed to produce by other countries will become generic name over time and loose its geographical identity.

The Indian parliament passed the geographical indications at (registration and protection) Act 1999 in December 1999. The geographical indications (registrations and protections) rules also came into being in the year 2002. The act has come into force with effect from 15 September 2003. Under this act, the central government has established a ‘geographical indication registry’ with all India jurisdictions at Chennai, where the light holders can register their respective GIs. The GI act is to be administered by the controller general of patents, designs and trademarks who is the registrar of geographical indications. It is interesting to note that though Article 23 of TRIPS provides a higher level of protection to GIs relating to wines and spirits only, the correspondent provisions in the Indian act does not restrict themselves to wines and spirits alone. Rather it has been left in the discretion of the central government to decide which goods or classes of goods should be granted such a higher

level of protection. This discretion has deliberately been maintained by Indian lawmakers with the aim of ensuring the absolute protection of article 23 or the GIs associated with products of India's export interest. Once a product registered under GI act, the applicant for a group of applicants can be registered proprietor of that product. In order to identify the goods, which can be registered under GI, the act stipulates that the persons dealing with three categories of goods are covered as producers of GI registration i.e. agricultural goods including production, processing, trading or dealing of such goods, natural goods including exploiting, trading or dealing of such goods, handicrafts or industrial goods including making, manufacturing, trading or dealing of such goods.

**Table 4.1**  
**GI Applications in India**

| Sr. No. | Products                     | State                   |
|---------|------------------------------|-------------------------|
| 1       | Banarasi Sarees and brocades | Uttar Pradesh           |
| 2       | Bhavani Jamakalam            | Tamil Nadu              |
| 3       | Chanderi Sarees              | Madhya Pradesh          |
| 4       | Ilkal Sarees                 | Karnataka               |
| 5       | Kalamkari                    | Andhra Pradesh          |
| 6       | Kancheepuram Silk            | Tamil Nadu              |
| 7       | Kasuti Embroidery            | Karnataka               |
| 8       | Kota Doria                   | Rajasthan               |
| 9       | Kotpat Handloom Fabrics      | Orissa                  |
| 10      | Kullu Shawl                  | Himachal Pradesh        |
| 11      | Lucknow Chikan Kari          | Uttar Pradesh           |
| 12      | Madhuvan Painting            | Bihar                   |
| 13      | Madurai Sungadi              | Tamil Nadu              |
| 14      | Mysore Silk                  | Karnataka               |
| 15      | Orissa IKAT                  | Orissa                  |
| 16      | Pashmina Shawls              | Jammu & Kashmir, Ladakh |
| 17      | Phulkari                     | Punjab                  |
| 18      | Pochampally IKAT             | Andhra Pradesh          |
| 19      | Salem Fabrics                | Tamil Nadu              |
| 20      | Solapur Chaddar              | Maharashtra             |
| 21      | Solapur Terry Towel          | Maharashtra             |

*Pochampally  
Ikat:*

*Market Analysis of Pre  
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#### 4.5 GI and Infringement:

The Act stipulates three conditions under which a registered geographical indication is said to be infringed:

1. When an unauthorized user uses a GI that indicates or suggests that such goods originate in a geographical area other than the true piece of origin of such goods in a manner, which mislead the public as to the geographical origin of such goods.
2. When the use of geographical indication result in an unfair competition including passing off in respect of registered GI.
3. When the user of another GI results in false representation to the public that goods originate in a territory in respect of which a registered GI relates.

Under the above circumstances, the authorized producers/users can initiate an infringement action against the infringers. As on Dec, 2007, there were about 139 applications filed in the GI registry. Out of which 5 products have already been registered under GI Darjeeling tea, Pochampally Ikat and Chanderi sarees were among the first few applications, which have been granted registration.

Hence, the term GI has been defined as "Geographical indications", in relation to goods, means an indication which identifies such goods as agricultural goods, natural goods or manufactured goods as originating, or manufactured in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristics of such goods is essentially attributable to its geographical origin and in case where such goods are manufactured goods one of the activities of either the production or of processing or preparation of the goods concerned takes place in such territory, region or locality, as the case may be.

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## Chapter - 5

### Enterprise Survey Results

#### 5.1 Post-GI Trends in Key Variables

The aim of the chapter is to produce a set of micro-economic data covering enterprises and their structure including activities of production, employment, turnover and changes in the price ranges. The questionnaire designed for the purpose was administered on a random sample of 256 enterprises (handloom manufacturers).

##### 5.1.1 Size Structure of Units

Since the handloom weavers are generally economically backward and the occupation has been

**Table 5.1 Size Structure of Looms**

| No. of Looms | No. of Manufacturers |                |                |
|--------------|----------------------|----------------|----------------|
|              | 2004                 | 2005           | 2006           |
| Less Than 5  | 192<br>(75.00)       | 193<br>(75.30) | 199<br>(77.73) |
| 5 - 10       | 29<br>(11.32)        | 32<br>(12.50)  | 29<br>(11.32)  |
| 10 -15       | 12<br>(4.68)         | 10<br>(3.90)   | 7<br>(2.73)    |
| 15 -20       | 5<br>(1.95)          | 3<br>(1.17)    | 2<br>(0.78)    |
| 20 -25       | 1<br>(0.39)          | -              | 1<br>(0.39)    |
| 25 - 30      | -                    | 1<br>(0.39)    | 1<br>(0.39)    |
| 30 -35       | 3<br>(1.17)          | 4<br>(1.56)    | 4<br>(1.56)    |
| 35 -40       | -                    | -              | -              |
| More Than 40 | 14<br>(5.46)         | 13<br>(5.07)   | 13<br>(5.07)   |
| Total        | 256                  | 256            | 256            |

doesn't seem to have changed radically. It is an obvious fact that change in the size structure will need investment, the entry of new artisanal force to the industry and the extent of influence of the demand on the mindset of the manufacturers who are basically home based ones. The second plausible reason for a slow movement of the structural change in industry in relation to size

largely family based, the number of looms is generally restricted for the enterprise on the basis of the size of the family. However in case of associations and recently developed consortia they manage larger size of units as compared to household units. The table below provides the size structure of looms in 2004, 2005 and 2006. The data for these three years are only taken for the purpose of comparison of the size structure between the pre and post Geographical Indication (GI) Act scenarios. Though there is a limitation to the analytical prospective of the size structure of looms for such a small period, the changes will provide an ample indication about the future trends of the industry. It is also noted here that the structure of the industry though has changed drastically in the post GI period, the size structure

It is also noted here that the structure of the industry though has changed drastically in the post GI period, the size structure doesn't seem to have changed radically. It is an obvious fact that change in the size structure will need investment, the entry of new artisan force to the industry and the extent of influence of the demand on the mindset of the manufacturers who are basically home based ones



is the non-availability of the desired looms, which forms the main capital investment of the enterprise. So much so, the scanty knowledge of the entrepreneurs on the source of the looms is also another negative factor for rapid changes in the size structure. The data on the table 5.1 reveals the usual notion mentioned above showing not much of changes in the size structure of the industry.

### 5.1.2 Size of Labour Employment:

As discussed above, the size of the looms is restricted by the family size and that too on the basis of workers available to work on looms and also the supplementary activities such as

**Table 5.2 Labour Size Structure**

| No. of Labours | No. of Manufacturers |                |                |
|----------------|----------------------|----------------|----------------|
|                | 2004                 | 2005           | 2006           |
| Less Than 5    | 201<br>(78.51)       | 200<br>(78.12) | 204<br>(79.68) |
| 5 - 10         | 28<br>(10.93)        | 28<br>(10.93)  | 27<br>(10.54)  |
| 10 -15         | 7<br>(2.73)          | 10<br>(39.06)  | 8<br>(3.12)    |
| 15 -20         | 2<br>(0.78)          | 1<br>(0.39)    | -              |
| 20 -25         | 2<br>(0.78)          | 1<br>(0.39)    | 1<br>(0.39)    |
| 25 - 30        | -                    | 1<br>(0.39)    | 1<br>(0.39)    |
| 30 -35         | 2<br>(0.78)          | 1<br>(0.39)    | 2<br>(0.78)    |
| 35 -40         | -                    | -              | -              |
| More Than 40   | 14<br>(6.46)         | 14<br>(6.46)   | 13<br>(5.07)   |
| Total          | 256                  | 256            | 256            |

degumming, winding, dyeing and finishing etc. The labour, as available in the industry indicates a larger number concentrating in the labour size of less than 5. The table below reveals that more than 78 percent of the units work with a labour size of less than 5; which is an universal family size of the Indian sub-continent. As is seen in the table, 10 to 11 percent of the enterprises employ a labour size in the range of 5 - 10 and beyond this, the units are rare to witness. One more interesting feature from the demographics of the industry is that most of them are in the age of beyond 30s. More than 30 percent of the labours are in the age group of 30 - 40 while around 25 percent are in the age group of 40 - 50. The industry has also employed workers below the

**Table 5.3 Manufacturers Age**

| Age      | No. of Manufacturers |
|----------|----------------------|
| Below 20 | 4<br>(1.56)          |
| 20 -30   | 35<br>(13.6)         |
| 30 -40   | 77<br>(30.07)        |
| 40 -50   | 63<br>(24.60)        |
| 50 -60   | 46<br>(17.96)        |
| Above 60 | 31<br>(12.10)        |
| Total    | 256                  |

age of 20 and at the same time some employment are seen beyond the age of 60. The phenomenon is rampant in most of the small and tiny enterprises of the rural India basically if the industrial occupation is family based. One other interesting feature of the age demographics is that the manufacturers in the handloom industry are largely from higher age groups. The younger generation of the weaving community shows scanty interest in taking ahead the handloom as an occupation. It has been witnessed and being discussed in several other researches that a larger occupational mobility happens to the younger generation from the traditional occupation. They normally move from the weaving and other traditional activity to the business and other occupations. The table,

of course, doesn't throw much light in the changes of occupational mobility between the pre and post Intellectual Property Protection periods.

### 5.1.3 Products Manufactured:

The Pochampally Ikat evolved as a renowned tie and dye product in the whole of the country particularly in South India before independence and started producing headscarf called Telia Rumal. These Telia Rumals are used by the Arabian countries to cover their head to save themselves from the scorching heat, since the Telia Rumal used to contain oil (tel), which saves the head from the heat wave. In the subsequent period, the product traveled ahead for diversification and the weavers started producing saris, ladies dress material (LDM), home furnishing (HF), fabrics and others, which received popularity from the domestic consumers. Today, the Pochampally saris form a major manufacturing product of the Nalgonda and Warangal districts of Andhra Pradesh. The randomly selected samples of 256 enterprises tell a story of the product domain of the industry. The table 10.4 clearly reveals a domination of sari production over other products such as LDM, home furnishing and fabrics. As many as 73 percent of the manufacturers produced sari as against 10 percent

producing LDM and 7 percent producing fabrics. There are small productions of dupattas, stoles and telia rumal. The production of telia rumal has declined significantly and has become a non-entity. The main region of the decaying of the share of telia rumal is the reduction in the export of the product. It is said that few other countries such as China, Pakistan and even Bangladesh are producing similar kinds of products and supplying to the countries in the Middle East and hence the export from the Nalgonda and Warangal has decayed completely.

| <b>Sr, No.</b>                                     | <b>Product Category Manufactured</b> | <b>No. of Manufacturers</b> | <b>% Distribution</b> |
|--|--------------------------------------|-----------------------------|-----------------------|
| 1  | Sari                                 | 187                         | 73.04                 |
| 2  | LDM                                  | 26                          | 10.15                 |
| 3  | Home Furnishing                      | 17                          | 6.64                  |
| 4  | Fabrics                              | 7                           | 2.73                  |
| 5  | Others                               | 4                           | 1.56                  |
| 6  | Sari + LDM                           | 4                           | 1.56                  |
| 7  | Sari + HF                            | -                           | 0                     |
| 8  | Sari + Fab                           | -                           | 0                     |
| 9  | LDM + HF                             | 2                           | 0.78                  |
| 10   | LDM + Fab                            | 1                           | 0.39                  |
| 11   | HF + Fab                             | -                           | 0                     |
| 12   | LDM + Others                         | 1                           | 0.39                  |
| 13   | Sari + LDM + HF                      | 2                           | 0.78                  |
| 14   | Sari + Others                        | 2                           | 0.78                  |
| 15   | All                                  | 3                           | 1.17                  |
|  | Total                                | 256                         | 100                   |
| Note: Others include Dupattas, Stoles, Telia Rumal |                                      |                             |                       |

#### 5.1.4 Use of Yarn:

As seen from Table 5.5, the industry largely uses the cotton and silk yarns. The industry doesn't use

**Table 5.5 No. of Manufacturers using Different Yarns**

| Sr. No.  | Products  | Cotton | Silk | Total |
|--|-----------|--------|------|-------|
| 1  | Saree     | 11     | 188  | 199   |
| 2  | LDM       | 13     | 26   | 39    |
| 3  | HF        | 24     | Nil  | 24    |
| 4  | Fabrics   | 11     | Nil  | 11    |
| 5  | Any Other | 9      | Nil  | 9     |
|  | Total     | 68     | 214  | 282   |
| Note: Others include Dupattas, Stoles, Telia Rumal |           |        |      |       |

cotton and silk blends. The initial years of the industry evolution saw more of the cotton than use rather than the silk yarn. As told earlier, the cotton yarn was used to produce telia rumal for export purposes and very small product categories were being produced from silk. However over the period, the producers have moved over to the silk yarn use and also moved to the silk sari and fabric production. The data

in table 5.5 indicates a clear domination of silk yarn use as compared to the cotton yarn.

#### 5.1.5 Trend in Sales Turnover:

The Indian handloom industry is placed in the category of small and tiny manufacturers. We rarely witness medium and large-scale enterprises in this sector. In the recent years, few of the locations in the country such as Karur, Panipat and Kannur have developed medium scale enterprises for catering the demand of the international buyers. The production of the Pochampally Ikat however has been catering to the demand of the domestic consumers as the main product remains the sari; a traditional dress style of Indian women. But the intricacy of design development of this Ikat is mind-boggling and has been always under threat from the infringers. The sales turnover of the enterprises being in small and tiny, their sales turnover doesn't go beyond 20 to 25 lakhs. The table 5.6 below reveals none other than a situation told earlier. Most of the

Interestingly, the structures of sales turnover have undergone some changes after the Pochampally Ikat was protected under Intellectual Property Rights (IPR). It is also observed some producers in the Rs.50,000 to one lakh turnover range have moved upward.

manufacturers fall in the sales turnover range of Rs. 50,000 to Rs.1.5 lakhs. There are people who also produce and sale in the range of Rs. 1.5 to 2.5 lakhs. Beyond Rs. 2.5 lakhs turnover seems to be a cup of tea for a few manufacturers. Interestingly, the structures of sales turnover have undergone some changes after the Pochampally Ikat was protected under Intellectual Property Rights (IPR). It is also observed some producers in the Rs.50,000 to one lakh turnover range have moved upward.

## 5.1.6 Marketing Channels

**Table 5.6 Sales Turnover of the Enterprises**

| S. No. | Sales Turnover (in Rs) | 2004           | 2005          | 2006          |
|--------|------------------------|----------------|---------------|---------------|
| 1      | Upto Rs. 50000/-       | 14<br>(5.46)   | 13<br>(5.07)  | 15<br>(5.85)  |
| 2      | 50000 – 1 Lakh         | 101<br>(39.45) | 90<br>(35.15) | 90<br>(35.15) |
| 3      | 1 Lakh – 1.5 Lakh      | 46<br>(17.96)  | 45<br>(17.57) | 45<br>(17.57) |
| 4      | 1.5 Lakh – 2 Lakh      | 22<br>(8.59)   | 17<br>(6.64)  | 14<br>(5.46)  |
| 5      | 2 Lakh – 2.5 Lakh      | 5<br>(1.95)    | 15<br>(5.85)  | 11<br>(4.29)  |
| 6      | 2.5 Lakh – 3 Lakh      | 3<br>(1.17)    | 4<br>(1.56)   | 5<br>(1.95)   |
| 7      | 3 Lakh – 6 Lakh        | 21<br>(8.20)   | 32<br>(12.5)  | 37<br>(14.45) |
| 8      | 6 Lakh – 9 Lakh        | 7<br>(2.73)    | 6<br>(2.34)   | 7<br>(2.73)   |
| 9      | 9 Lakh – 12 Lakh       | 4<br>(1.56)    | 4<br>(1.56)   | 4<br>(1.56)   |
| 10     | 12 Lakh – 15 Lakh      | 9<br>(3.51)    | 9<br>(3.51)   | 9<br>(3.51)   |
| 11     | 15 Lakh – 18 Lakh      | 6<br>(2.34)    | 3<br>(1.17)   | 3<br>(1.17)   |
| 12     | 18 Lakh – 21 Lakh      | 3<br>(1.17)    | 4<br>(1.56)   | 3<br>(1.17)   |
| 13     | Above 21 Lakh          | 15<br>(5.85)   | 14<br>(5.46)  | 13<br>(5.07)  |
|        | Total                  | 256            | 256           | 256           |

Most of the manufacturers market their product either by self or through an agent and sometimes supplying to the wholesalers. The industry indicates a favourable marketing channel dictated through the agents (50%) and the wholesalers follow the suit (22%). About 20 percent of the cases, the weavers market their products by themselves. Hence the agent and the wholesalers market 70 percent of the products manufactured by the industry.

## 5.1.7 Price Changes

The price changes between the pre and post IPR periods were captured for the main products such as

**Table 5.7 Price Range for Cotton Sarees**

| Price Range    | Cotton Sarees |              |              |
|----------------|---------------|--------------|--------------|
|                | 2004          | 2005         | 2006         |
| Upto Rs. 500/- | 7<br>(63.63)  | 7<br>(63.63) | 6<br>(54.54) |
| 500 – 750      | 1<br>(9.09)   | 1<br>(9.09)  | 1<br>(9.09)  |
| 750 -1000      | 1<br>(9.09)   | 1<br>(9.09)  | 2<br>(18.18) |
| 1000 -1250     | 2<br>(18.18)  | 2<br>(18.18) | 2<br>(18.18) |
| Total          | 11            | 11           | 11           |

silk sarees and silk dress materials. Cotton saris, home furnishing, dupattas and fabrics. The price data reveals a positive upward movement in many of the products. The price movement of silk saris clearly indicates a positive movement from a lower range to a upper range. In fact, there is a clear decline of the silk sarees in the lower price range of upto Rs. 1000/- and also in the price range of Rs.1000/- – Rs.1500/-.

**Table 5.8 Price Range for Silk Sarees, Dress Material**

| Price Range   | Silk Sarees    |               |                | Silk LDM      |               |               |
|---|----------------|---------------|----------------|---------------|---------------|---------------|
|   | 2004           | 2005          | 2006           | 2004          | 2005          | 2006          |
| Upto Rs. 1000/-   | 9<br>(4.78)    | 4<br>(2.12)   | -              | 3<br>(10.71)  | 2<br>(7.14)   | 1<br>(3.57)   |
| 1000 -1500  | 105<br>(55.85) | 92<br>(48.93) | 63<br>(33.51)  | 18<br>(64.28) | 18<br>(64.28) | 19<br>(67.85) |
| 1500 -2000  | 61<br>(32.44)  | 75<br>(38.89) | 110<br>(58.51) | 7<br>(25)     | 8<br>(28.57)  | 8<br>(28.57)  |
| 2000 -2500  | 6<br>(3.19)    | 8<br>(4.25)   | 8<br>(4.25)    | -             | -             | -             |
| Above Rs 2500/-   | 7<br>(3.72)    | 9<br>(4.78)   | 7<br>(3.72)    | -             | -             | -             |
| Total   | 188            | 188           | 188            | 28            | 28            | 28            |
| Note: Classify the Manufacturer At The Higher Categories Only (I.E. No Duplication) Sarees Above Rs. 2500 Include Zari Work |                |               |                |               |               |               |

The most of the silk sarees are now ranged between Rs.1500/- to Rs.2000/- and some of them are also in the higher ranges. Similar is the case for silk dress materials

(Table 10.7). As regards to the cotton saris, not much significant changes are noticed (Table 10.8). Cotton home furnishing, however, has been a winner in the post intellectual protection period (Table 10.9).

**Table 5.9  
Price Range for Cotton Home Furnishing, Dupattas, Fabric & LDM**

| Price Range<br>(in Rs.) | Cotton HF     |               |              | Cotton Dupattas |             |             | Cotton Fabrics |              |              | Cotton LDM   |              |              |
|-------------------------|---------------|---------------|--------------|-----------------|-------------|-------------|----------------|--------------|--------------|--------------|--------------|--------------|
|                         | 2004          | 2005          | 2006         | 2004            | 2005        | 2006        | 2004           | 2005         | 2006         | 2004         | 2005         | 2006         |
| 50 - 100                | 2<br>(8.33)   | 1<br>(4.16)   | -            | -               | -           | -           | 10<br>(90.9)   | 10<br>(90.9) | 10<br>(90.9) | -            | -            | -            |
| 100 - 200               | 11<br>(45.83) | 13<br>(54.16) | 14<br>(58.3) | 5<br>(62.5)     | 5<br>(62.5) | 5<br>(62.5) | -              | -            | -            | 3<br>(25.0)  | 2<br>(16.66) | 2<br>(16.66) |
| 200 - 300               | 9<br>(37.75)  | 8<br>(33.33)  | 8<br>(33.33) | 2<br>(25.0)     | 2<br>(25.0) | 2<br>(25.0) | 1<br>(9.09)    | 1<br>(9.09)  | 1<br>(9.09)  | 3<br>(25.0)  | 4<br>(33.33) | 4<br>(33.33) |
| 300 - 400               | 1<br>(4.16)   | 1<br>(4.16)   | 1<br>(4.16)  | -               | -           | -           | -              | -            | -            | 5<br>(41.66) | 4<br>(33.33) | 4<br>(33.33) |
| 400 - 500               | -             | -             | -            | 1<br>(12.5)     | 1<br>(12.5) | 1<br>(12.5) | -              | -            | -            | 1<br>(8.33)  | 2<br>(16.66) | 2<br>(16.66) |
| > 500                   | 1<br>(4.16)   | 1<br>(4.16)   | 1<br>(4.16)  | -               | -           | -           | -              | -            | -            | -            | -            | -            |
| Total                   | 24            | 24            | 24           | 8               | 8           | 8           | 11             | 11           | 11           | 12           | 12           | 12           |

Pochampally  
Ikot:  
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Market Analysis of Pre

## 5.2 Motifs and Product Diversification: A Revealing Features of Pre & Post GI Period

The products of Pochampally Ikat though serving a basic standard purpose like a use of single yarn such as silk or cotton and dyeing generally done in tumble wash system and also weaving quality; they are, however, not homogeneous. Differences in the passive qualities of a product produced by different units could be partly related to the type of yarn procured and the knowledge of dyeing of the yarn and also skillfulness of the weaving of the product. These differences exist and are passive through the physical characteristics of the product. After the Geographical Indication (GI) Act came into force for the Pochampally Ikat, the uniformity of quality and design has been largely improved towards a kind of homogeneous output. The responsibility of quality inspection however remains on some of the designated organisations such as Powerloom Service Centre, Textiles Committee and sometimes by the person placing orders. Besides the above-perceived changes, the other changes, which are noticeable from the pre protection period, are the changes in the demand conditions including the increase in the quantitative demand. The demand conditions relate to better quality and finished products at a reasonable price and deliver period. Quality here refers to the use of yarn and flawless woven product. During the post GI period, the market demands have influenced product as well as design diversifications. The product and the design diversifications between the pre and post Intellectual Property Rights Protection periods have been displayed below:

### 5.2.1 Product Diversification

#### (A) Before GI:

The Pochampally Ikat designs initially consisted of motifs from nature like birds, animals, plants, flowers etc. These designs were commonly seen in the apparels i.e. sarees, LDMs as well as home furnishings i.e. Bedsheets. There was no specific difference as such seen in these products with respect to designs. There was very little variation seen in the designs for number of years. Even the quality of work was not rich. They used cheaper (low) quality dyes and yarns due to poor economic conditions and also lack of knowledge about the quality raw material and the market.

The post GI period has witnessed product diversifications more towards Bedsheets, bed covers, other home furnishings such as curtains, table cloths, towels and other upholstery items. In addition to the product diversification, there have been significant changes to the designs and patterns of the product. Some of the new designs which were introduced during 2005 & 2006 are mirror design, intricate design on pallus, butta designs, crosses and circles design and sometimes designs without pallu etc. Some important motifs and product differentials were presented below:



(i) Floral motifs used on fabrics (cotton and silk)



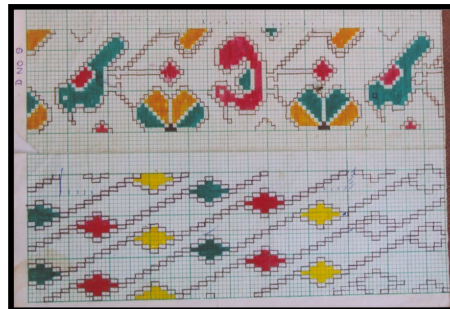
(ii) Saree border depicting nature all in one (cotton and silk)



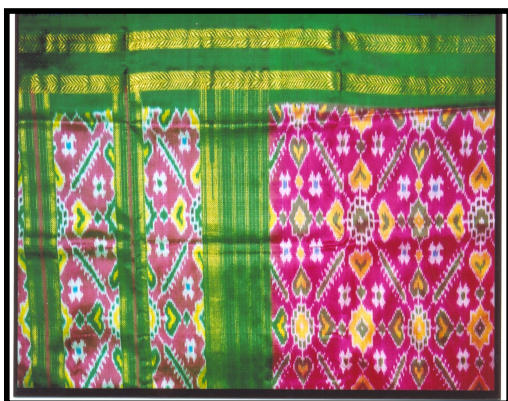
(iii) All over geometrical design used in cotton fabrics and home furnishings



(iv) Both geometrical and natural design used in cotton & silk sarees and Bedsheet



(v) Silk saree with double Ikat pattern and zari



(vi) Geometrical pattern in body & floral pattern in the border & pallu of the silk saree



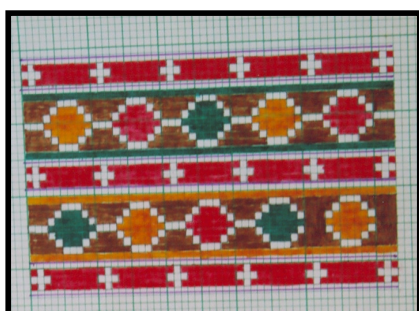
(vii) Natural motifs with fish used for cotton Bedsheets and sarees



(viii) Animal and plant motifs in cotton fabrics



(ix) Alternate rows of continuous and buta pattern in cotton fabrics and Bedsheets



(x) Silk saree with floral design on



border and plain body and pallu

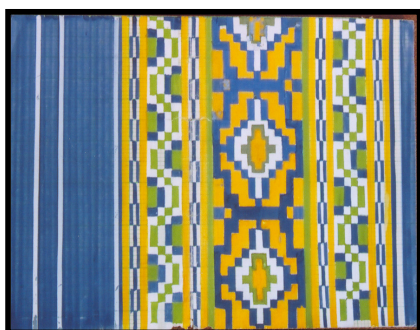
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## (B) After GI:

The GI registration on Pochampally Ikat brought changes in yarn and dye quality as well as the simplicity in the design which resulted in faster production as compared to before. Also the colour schemes which were earlier contrast are now changed to the supplementary colours. The designs are now modernised and intricate and a new trend of having the body plain and heavily designed borders and pallas. Also the product diversification is observed in case of home furnishings.

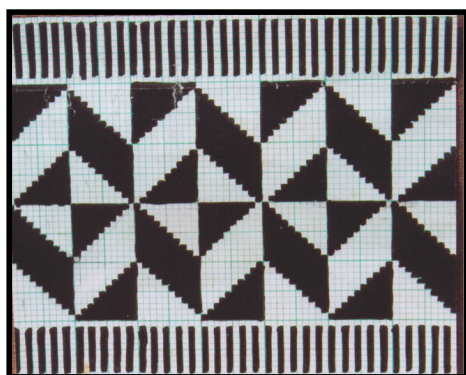
(i) Geometrical design in Bedsheets.  
Relatively complicated and attractive



(ii) Cotton fabric showing ties and dye effect. A new concept of design developed out of new motivation of demand



(iii) Mirror-image design on cotton Bedsheets

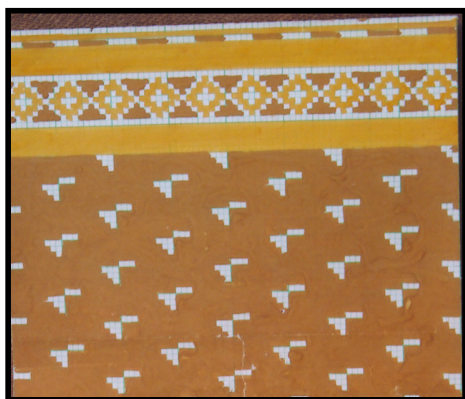


(iv) Intricate design in the pallu and temple design in the border and butas in the body

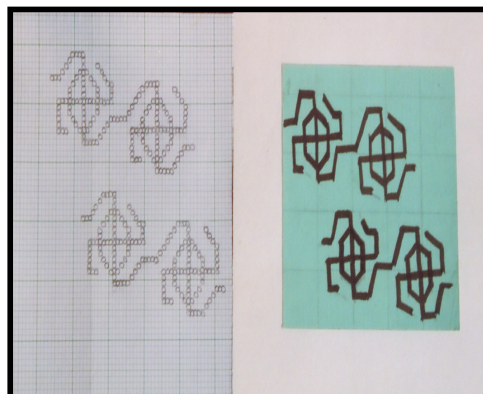




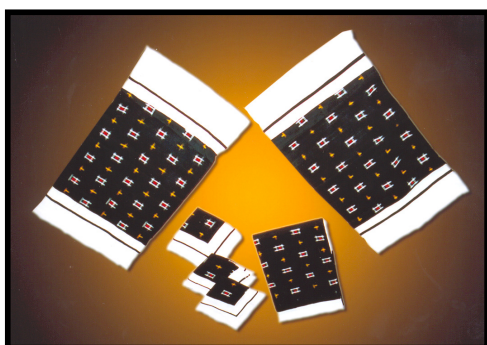
(v) Cotton Bedsheets with buta design in the body and diamond in the border.



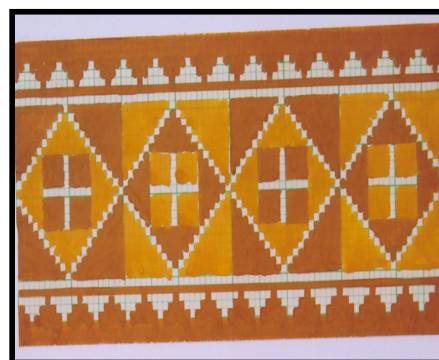
(vi) Modern design used for Ikat products



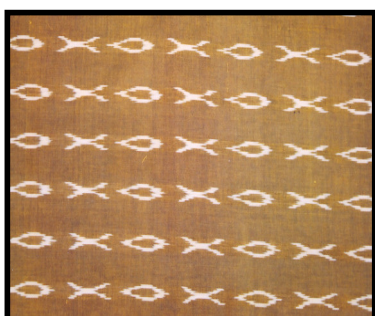
(vii) Diamond design on the border of the Bedsheets with change in colour combinations (lighter)



(viii) Concept of the design with no design in the border



(ix) A new design (cross and circles) with lighter colours



(x) New concept of shaded effect (dhoop chaun) is seen in silk sarees with plain body and designed border and pallu















## Chapter 6

### Measurement and Technical Efficiency: Comparative Picture of Pre and Post GI Periods






















Since past many years, silk sarees and dress materials of Pochampally have been in demand all over the country. However, the popularity and market penetration of the product increased several times as soon as the Pochampally Ikat got registered under GI. The product got noticed. The popularity of the unique designs paved the way for product diversification and design innovations. The demand for the product either saree or dress materials or home furnishing increased significantly. The demand and increase in prices of the product encouraged the craftsmen to invest more on the raw materials and auxiliaries, besides investment on capitals. The demand-pull provided quicker realisation of the return. The agents and the wholesalers were also started demanding better-finished products in short durations and insisted on strict delivery schedules. The weavers became more responsive to the organisation of their industrial activity and became more serious in management of their affairs. They stored yarn and auxiliaries as per their requirement. The members of the family, who are working leisurely in the production activity, now engaged themselves for more duration and also with more seriousness. As a result, not only the productivity of the head artisan increased but also the productivity of the supporting labour from the family has also increased. The size of employment, as such, has not increased. The price of the silk-based product has shown upward movement. Though the qualities of the products have increased and have also shown Upgradation, the characteristics have not been captured well in the field survey and hence, we are not discussing quality of product in the foregoing discussion. The other variable, which also has influenced the production and sales turnover, is awareness. The field investigation reveals a larger chunk of the artisans though aware, many needs to acquire the knowledge on the GI and the changing market demands.

The table 6.1 presents information on per unit annual production, productivity per day, employment per unit and annual sales turnover.

**Table 6.1**  
**Trends in Production, Productivity & Employment**

| Average/unit                  | Trends in Production, Productivity & Employment |   |        |   |        |        |   |        |
|-------------------------------|---|---|--------|---|--------|--------|---|--------|
|                               | 2004  |   | 2005   |   | Year   |        |   |        |
|                               | 2006  | 2004  | 2006   | 2004  | 2006   | 2004   | 2006  |        |
| Annual Production (in Rs)     | 181763  |  | 205287 |  | 228811 | 181763 |  | 228811 |
| Productivity (in mtrs)        | 1.80  |  | 1.81   |  | 1.82   | 1.80   |  | 1.82   |
| Employment Size               | 3.83  |  | 4.16   |  | 4.49   | 3.83   |  | 4.49   |
| Sales Annual Turnover (in Rs) | 211104  |  | 238373 |  | 265642 | 211104 |  | 265642 |

**Table 6.2**  
**Price Trends**

| Average Price/metre | Year          |   |               |   |               |               |   |               |
|---------------------|---------------|---|---------------|---|---------------|---------------|---|---------------|
|                     | 2004          |   | 2005          |   | 2006          | 2004          |   | 2006          |
| Silk Saree          | 240.32        |  | 254.88        |  | 269.44        | 240.32        |  | 269.44        |
| Silk LDM            | 175.51        |  | 182.65        |  | 189.79        | 175.51        |  | 189.79        |
| Cotton Saree        | 92.59         |  | 97.33         |  | 102.07        | 92.59         |  | 102.07        |
| Cotton LDM          | 26.39         |  | 28.90         |  | 31.41         | 26.39         |  | 31.41         |
| Cotton HF           | 67.93         |  | 73.60         |  | 79.27         | 67.93         |  | 79.27         |
| Cotton Fabrics      | 50.05         |  | 54.62         |  | 59.19         | 50.05         |  | 59.19         |
| <b>Average</b>      | <b>108.80</b> |  | <b>115.33</b> |  | <b>121.86</b> | <b>108.80</b> |  | <b>121.86</b> |

We provide below the growth rates of some of the parameters such as production, sales turnover, employment, productivity and price:

**Table 6.3**  
**Growth Trends of Key Variables**

| Parameters           | Growth Rates |              |              |
|----------------------|--------------|--------------|--------------|
|                      | 2004-05      | 2005-06      | 2004-06      |
| Production           | 12.01        | 14.31        | 13.31        |
| Productivity         | 4.35         | 5.88         | 4.67         |
| Employment           | 1.25         | 1.66         | 1.40         |
| Sales Turnover       | 12.04        | 14.31        | 13.31        |
| <b>Average Price</b> |              |              |              |
| Silk Saree           | 13.46        | 15.78        | 14.87        |
| Silk LDM             | 14.55        | 16.65        | 15.57        |
| Cotton Saree         | 10.22        | 12.56        | 11.14        |
| Cotton LDM           | 9.85         | 11.21        | 10.27        |
| Cotton HF            | 10.65        | 14.52        | 12.59        |
| Cotton Fabrics       | 9.89         | 12.56        | 11.10        |
| <b>All</b>           | <b>11.44</b> | <b>13.88</b> | <b>12.64</b> |

**Pochampally**  
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The table 6.3 reveals an increase in growth rates of the production as well as sales turnover. The production increased by 12.01 percent during 2004 and 2005, while the increase has been higher (14.31%) between 2005 and 2006, registering an average growth rate of 13.31 percent in the whole period. The sales turnover also shows a similar growth trend. The interesting feature of the comparative analysis of the pre and post intellectual periods is the increase in productivity of the labour. The productivity has shown a consistent increase between 2004 to 2006. The increase in the productivity during 2004 and 2005 is 4.35 percent while it is 5.88 percent during 2005 and 2006, and an overall growth of 4.67 percent between 2004 and 2006. This clearly brings out the serious involvement of the weaver and the supporting family artisans in the weaving activity. The growth rates in the average price of the products have also indicated a very positive growth. Silk saree and silk LDM are the products whose growth rates have noted significant increase. The price of the silk saree growth rate has been at 14.87 percent between 2004 and 2006. While the initial growth rate of 2004 and 2005 registered 13.46 percent. The silk LDM also shows a high growth rates in the price realisation and registered at 15.57 percent between 2004 and 2006 taking up from an initial growth rate of 14.55 between 2004 and 2005. Cotton saree, cotton HF, cotton fabrics and cotton LDM has also shown positive growth rates.

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Increase in productivity, price and sales turnover is the effects of the Pochampally Ikat receiving the publicity and discovering newer markets. The publicity not only started in the web as soon as it received GI but also in newspapers, magazines and also in exhibitions. The Pochampally Ikat being the first textile product to be registered under GI in India, it has received enormous attention from the research and practicing community as well. In fact, the Pochampally has been converted into an experimental lab for many institutions and organisations. The information suggest National Institute of Rural Development (NIRD), National Institute of Small Industries Extension and Training (NISIET), some of the institutions under Indian Institute of Handloom Technology (IIHT) and many foreign institutions are visiting Pochampally to understand the resultant changes in the production, marketing and lifestyles of the weaving community of Pochampally after GI. The big brand customers like the Air India started procuring the Pochampally Ikat products. The product design and quality has been defined by the Air India itself and the test parameters are ascertained by the Textiles Committee. The increase in productivity indirectly provided higher earnings to the weavers and hence a better living standards to the weaving households.

### Change in Disposable Income of the weavers:

The most important finding of the study is about the increase in disposable income of the rural artisans in the cluster. The increase in the income seems to be quite promising due to the fact

| Table No 6.4<br>Income of Weavers |               |      |      |      |
|-----------------------------------|---------------|------|------|------|
| Sr. No                            | Income        | Year |      |      |
|                                   |               | 2004 | 2005 | 2006 |
| 1                                 | Silk Weaver   | 2200 | 2500 | 2800 |
| 2                                 | Cotton Weaver | 1200 | 1500 | 1850 |

that when almost all clusters in the country are increasingly experiencing declining income during the past years, this cluster is able to provide better income to the manufacturers. The upward trend of income

may be due to the increase in the demand pattern for the product after the IPR protection and the product diversification, the weavers have been adopting due to wide scale intervention by government and international agencies in post registration period.

The study shows that the silk weavers are earning Rs 2800 per month in 2006 as compared to Rs 2200 in 2004. The earnings have been increased by around 27 percent during these two periods. Similarly, the income of cotton weavers has increased by 54 percent during the period. This is being attributed to the production of diversified products like home furnishings, ladies dress materials etc. and increase in demand for the products both in domestic and export market.

For a comprehensive quantitative analysis and establishing the interlinkages between the dependent variable (sales turnover) to the influencing independent variables (such as employment, productivity and price), a linear model was constructed. The model is specified as follows:

$$y = a_1x_1 + a_2x_2 + a_3x_3 + \epsilon$$

Where  $y$  is the sales turnover,  $x_1$  the employment,  $x_2$  is the productivity for worker and  $x_3$  the unit price of the product and  $\epsilon$  is the error component. It may be noted here that a constant term of a general linear model has been kept at zero since at no point of time the value of the sales turnover falls less than zero.

Table 6.5

| S. No |                            | Silk Saree     |                |                | Cotton LDM      |                 |                 | Cotton HF       |                 |                 | Cotton Fabric  |                |                |
|-------|----------------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
|       |                            | 2004           | 2005           | 2006           | 2004            | 2005            | 2006            | 2004            | 2005            | 2006            | 2004           | 2005           | 2006           |
| 1     | tions                      | 170            | 170            | 170            | 7               | 7               | 7               | 15              | 15              | 15              | 26             | 26             | 26             |
| 2     | R <sup>2</sup>             | 0.86           | 0.86           | 0.80           | 0.94            | 0.94            | 0.95            | 0.31            | 0.73            | 0.76            | 0.35           | 0.43           | 0.46           |
| 3     | Coefficient X <sub>1</sub> | 1.06<br>(0.04) | 1.02<br>(0.04) | 1.00<br>(0.05) | 0.50*<br>(0.77) | 0.51*<br>(0.74) | 0.38*<br>(0.66) | 0.89*<br>(1.13) | 0.19*<br>(0.61) | 0.07*<br>(0.58) | 0.67<br>(0.23) | 0.62<br>(0.24) | 0.58<br>(0.22) |
| 4     | Coefficient X <sub>2</sub> | 0.76<br>(0.08) | 0.74<br>(0.07) | 0.75<br>(0.07) | 1.10<br>(0.15)  | 1.10<br>(0.15)  | 1.10<br>(0.13)  | 0.71*<br>(0.36) | 0.91<br>(0.21)  | 0.92<br>(0.19)  | 0.81<br>(0.32) | 1.24<br>(0.28) | 1.14<br>(0.33) |
| 5     | Coefficient X <sub>3</sub> | 1.94<br>(0.01) | 1.94<br>(0.01) | 1.94<br>(0.01) | 2.76<br>(0.21)  | 2.75<br>(0.20)  | 2.78<br>(0.18)  | 2.35<br>(0.25)  | 2.43<br>(0.13)  | 2.46<br>(0.13)  | 2.51<br>(0.15) | 2.39<br>(0.13) | 2.43<br>(0.13) |

Note: Figures in parenthesis are the standard errors.

\* The statistics are significant @ 5 percent level.

Though all these variables have shown their influence on the sales turnover for silk sarees, cotton LDM, cotton home furnishings and cotton fabrics, not many of these factors shows significant influence on the sales turnover.

## Chapter 7

### Identification of Infringement & Subsequent Action

#### 8.1 Case of Infringement

In the latter part of May 2005 it came to the knowledge that one of the retailers (chain of clothing retail stores) in Hyderabad, was retailing sarees under the false GI of 'Pochampally'. The copy of the impugned product was purchased from the Retailer. Further, on investigation of which results were achieved in mid-June 2005. It was revealed that one of the Mumbai based manufacturers was manufacturing and whole selling the sarees.

By virtue of registration of Pochampally Ikat as a GI the owners of the GI enjoy inter alia under the GI Act and as the registered proprietors they have the exclusive right to the use of GI Pochampally Ikat is relation to the goods in respect of which Pochampally Ikat is registered.

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The case was filed in the Delhi High Court in the month of June 2005, against the manufacturing and selling the product

(Defendants) with the label Pochampally, which is visually and phonetically similar to the GI product of Pochampally Ikat. It is submitted that, the adoption by the Defendants of word 'Pochampally' in respect of identical goods would lead to confusion and deception in the minds of the consumers leading to the passing of the Defendants goods as those of the Proprietors and unfair competition. The use of 'Pochampally' is of the nature of passing off since of the product is not made using the traditional methods significant of the GI, but instead is a product mad of power looms. Thus the adoption of the mark 'Pochampally' by the Defendants is a blatantly dishonest and mala fide attempt to derive unfair advantage by creating the impression the Defendants products have some connecting, nexus, association, affiliation with or endorsement by the Proprietors.

It is submitted that, the Proprietors in question comprise of weavers and artisans who are illiterate and belong to economically backward sections of society whose sole source of livelihood is the skill they have learnt in manufacturing traditional arts and crafts. Therefore, with view to protect their interests as well as larger interest of protection the cultural heritage of the country protection has been given in the form of registration of 'Pochampally Ikat' as GI. Therefore, they duty to

This is the first infringement case filed in the Indian history under the GI Act. However, the Defendants (both retailer and manufacturers) accepted the case of infringement, and requested for out off court settlement

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care and liability of the Defendants is much higher because they are preying on the most vulnerable section of society, namely the weavers and artisans. The unauthorized adoption of the impugned mark 'Pochampally' by the Defendants amounts to an act of infringement of the registered GI 'Pochampally Ikat'. Such use by the Defendants is causing irreparable loss, injury and damage to the goodwill, reputation and business of the Proprietors. The damage uncaused to the Proprietors cannot be compensated in monetary terms alone. The Proprietors established a strong prima facie case for grant of an interim injunction in their favour and against the defendants.

This is the first infringement case filed in the Indian history under the GI Act. However, the Defendants (both retailer and manufacturers) accepted the case of infringement, and requested for out of court settlement. They stated that they are not aware of such protection for Pochampally Ikat. Further, they stated that they completely destroyed the all related material they have on Pochampally and henceforth it will not be available in the market and also stated that, if it is available they are ready to pay the penalty. Thus the matter is under consideration.

## Chapter-8

### Handloom park: A Ray of hope for Rural SMEs

**8.1 Introduction:** The IPR protection of this unique handloom product through Geographical Indication Act has brought about sea change in both demand pattern and production & marketing pattern of this unique handloom product. The producers, who were struggled to market their product just a year back, became unable to cater the unexpected spurt in demand for the products at short notice. The registration has brought about a U-turn to the marketability of the product as well as the perception of the buyers towards the originality and quality of the product. It was evident from the fact that the Indian Airline gave order for purchase of large number of saris for the airhostess. The large increase in demand has created motivation among the weavers to try for increasing the production & also productivity on one hand and brought about much needed increase in price of the product on the other hand. It might be the first such event in India, where by the work of artisans of a traditional product of a rural village were accepted and appreciated by the buyers and the mass media in such a large way.

However, the handloom weaving is known for the labour intensiveness. Most of the handloom units are either own account enterprises and/or belongs to small & tiny sectors. The weavers are generally uses the service of their family members or in some case the services of some unskilled workers for taking up of production activities. The production process itself is manual. As such the weavers did not able to cope with sudden increase in demand by proportionate increase in production. Ultimately these small producers are compelled to either cancel the large orders or postpone it to deliver in future date. In such circumstances, the consortium responsible for registering the product under Geographical Indication (GIs) Act searched for removing the capacity constraints by larger integration of the production value chain.

**8.2 Modus Operandi:** Even if the manufacturers are producing different varieties of product having innumerable designs, it is impossible to cater a bulk order with a single design and specification as the designs differ from weavers to weaver and most of the time the master weavers are not ready to share their newly developed designs with co-weavers and master weavers. As a result, the decentralised segments of these SMEs became more capacity constraint than other SMEs. With the IPR protection of this product and subsequent publicity measures carried out by fourth estate, the demand for the products unexpectedly increased by manifold times. The weavers also asked to

supply bulk orders in a short notice. It is evident that the Indian Airlines requested the consortia to supply huge number of sarees of a particular design for its air-hostess in 2005. However the supply constraints could not allow the weavers to execute the order in time. The Indian Airline saga encouraged the weavers and the consortia to relook their strategy for capitalising the benefit of GI registration. At last, the consortia decided to approach the Government of Andhra Pradesh and Government of India for their support in bringing about both vertical and horizontal integration of this SME clusters for increasing production and benefit harvesting. Subsequent discussion in the state government and organisations like Textiles Committee, IL&FS, prompted the consortia to apply for development of Handloom Park under the Scheme for Integrated Textiles Park (SITP) of Government of India.

#### SITP at a Glance

- The SITP Scheme is launched by merging the Scheme for Apparel Parks for Exports (AEP) and the Textiles Centre Infrastructure Development Scheme (TCIDS) by Government of India.
- The main objective of the scheme is to provide the industry with world class infrastructure facilities for setting up their textiles units. The scheme would facilitate textile units to meet International Environmental and Social Standards.
- Each Integrated Textile Park (ITP) would normally have at least 50 units with a total investment of Rs.750 crore, and on average, provide employment to 20,000 persons. The number of entrepreneurs and the resultant investments and employment in each ITP could however vary from project to project. An amount of Rs.625 crores would be provided by the Government of India (GOI) for the development of these Parks in a two-year period between 2005 – 06 and 2006 – 07.
- The scheme targets industrial clusters/locations with high growth potential, which require strategic interventions by way of providing world-class infrastructure support. The project cost will cover common infrastructure and buildings for production/support activities, depending on the needs of the ITP. There will be flexibility in setting up ITPs to suit the local requirements.
- An ITP will have the following components:
  - (a) Group A – Land
  - (b) Group B – Common Infrastructure like compound wall, roads, drainage, water supply, electricity supply including captive power plant, effluent treatment, telecommunication lines etc.
  - (c) Group C – Buildings for common facilities like testing laboratory, design center, training center, trade center/display center, ware housing facility/raw material depot, crèche, canteen, workers hostel, offices of service providers, labour rest and recreation facilities etc.
  - (d) Group D – Factory buildings for production purposes.
  - (e) Group E – Plant & Machinery.
- The Ministry of Textiles (MOT) would implement the Scheme through Special Purpose Vehicles (SPVs). Industry Associations/Groups would be the main promoters of the ITPs. The SPVs shall have operational autonomy so that they do not become surrogate Public Sector Enterprises or be controlled by Central / State Governments.
- MOT shall sign a Memorandum of Understanding (MoU) with Infrastructure Leasing & Financial Services (IL&FS) or a similar professional agency, which has considerable experience and expertise in the area of infrastructure development, as Project Management Consultant (PMC) for implementing the Scheme.
- These SPVs would be the focal points for implementation of the Scheme, playing the following role;
  - i) The SPV would conceptualise, formulate, achieve financial closure, implement and manage the infrastructure.
  - ii) The SPV would procure land, cost of which could be built into the project cost.
  - iii) After developing the infrastructure, SPV would allocate sites to Industry for setting up units.
  - iv) SPV would also facilitate securing bank finance required for setting up units in ITP.

|  |  |
|--|--|
| <p>v)SPV would be responsible for maintaining the utilities and infrastructure created for ITP by collecting service and user charges.</p> <p>vi) The SPV has to be so structured as to be self-sustaining with a positive revenue stream.</p> <p>vii) SPV would appoint contractors/consultants in a fair and transparent manner. In order to ensure timely completion of the project, SPV will obtain appropriate performance guarantee from consultants/contractors.</p> <p>➤ Role of State Government:: The role of the State Government is envisaged in the following areas:</p> <p>i) Providing all the requisite clearances, wherever needed, for setting up the ITP and providing the necessary assistance for Power, Water and other utilities to the ITP.</p> <p>ii) Assist in identification and procurement of suitable land.</p> <p>iii) The State Government agencies like Infrastructure / Industry Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants.</p> <p>iv) Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc. for the units located in the ITP.</p> <p>v) Dovetailing of other related schemes for overall effectiveness and efficiency of the project.</p> <p>➤ Funding Pattern:</p> <p>i) The total project cost includes infrastructure, building, production, units, and plant and machinery shall be funded through a mix of Equity/Grant – from the Ministry of Textiles, State Government, State Industrial Development Corporation, Industry &amp; Project Management Consultant and Loan – from Banks/Financial Institutions.</p> <p>ii) The Government of India's (GOI) support under the Scheme by way of Grant of Equity will be limited to 40% of the project cost subject to a ceiling of Rs.40 crore. This could be given as grant or equity to the SPV. However, the combined equity stake of GOI/State Government/State Industrial Development Corporation, if any, should not exceed 49%.</p> <p>iii) Release of Funds: The following schedule will be adopted for release of GOI share to the SPV:</p> <p>a) 30% of the total GOI share in advance immediately after approval of the project by PAC. However, before the 1<sup>st</sup> installment is released, it would be seen that the project has been appraised by the Financial Institution as a bankable project and the land for the ITP has been procured by the SPV.</p> <p>b) 30% of the total GOI share after the utilization of the 1<sup>st</sup> installment and after the proportionate expenditure (i.e. 30% of the share of SPV) has been incurred by the SPV. Utilisation Certificate (UC) of the 1<sup>st</sup> Installment shall be submitted by the SPV at the time of making claim for the 2<sup>nd</sup> installment.</p> <p>c) 30% of the total GOI share after the utilization of the 2<sup>nd</sup> installment and after the proportionate expenditure (i.e. another 30% of the share of SPV) has been incurred by the SPV. Utilisation Certificate (UC) of the 2<sup>nd</sup> Installment shall be submitted by the SPV at the time of making claim for the 3<sup>rd</sup> Installment.</p> <p>d) 10% of the total GOI share will be released after successful completion of the project and after 25% of the units in ITP start their production. The UC of the 3<sup>rd</sup> Installment shall also be submitted by the SPV at the time of making claim for the final installment.</p> <p>i) Project Approval Committee: The project proposals shall be considered and sanctioned by a Project Approval Committee (PAC) headed by Secretary (Textiles). .</p> <p>Project Monitoring and Evaluation: The Ministry of Textiles (MOT) will periodically review the progress of the projects under the scheme. The PMC would devise a suitable monitoring and evaluation system and shall furnish monthly reports/returns to the MOT.</p> |  |
|--|--|

**8.3 Effective Mechanism Put in Place:** The brain child of the handloom park is the consortium formed for the GI registration of the product. A handful of weavers and the member of consortium formed for IPR protection of the product joined hand to set up an exclusive park for the production and marketing of the Pochampally report. This initiative assumes significance for a tie and dye product and the first handloom brand registered under GI Act. Experienced with the supply constraints, the consortium approached the Govt. of AP & Govt. of India for supporting the weavers



community in this initiative. The Govt. proactively supported the consortium in the process of developing an integrated handloom park in the Kanumukkula Village, about 10 kms. away from Pochampally. In this regard, the consortium consisting of 28 members have taken up these initiatives in the process and later on joined by the different apex bodies like ILF&S and some free lance experts from the field of designs, marketing, market research, dyeing experts, etc.

As per the requirement of SITP, a project approval committee was also formed by govt. of India consisting the following members:

- i) Advisor (Industry), Planning Commission.
- ii) Additional Secretary & Financial Advisor, Ministry of Commerce/Textiles.
- iii) Textile Commissioner, Mumbai.
- iv) Joint Secretary (PF-II), Department of Expenditure.
- v) Joint Secretary (Infrastructure), Department of Commerce.
- vi) Joint Secretary (IIUS), Department of Industrial Policy and Promotion.
- vii) Economic Advisor, Ministry of Textiles.
- viii) Joint Secretary (Exports), Ministry of Textiles – Member Secretary.

| Fact Sheet of Handloom Park   |                    |
|---|--------------------|
| Estimated Project Cost  | : Rs. 18.49 Crore  |
| Govt. of India Grant  | : Rs. 7.40 Crores  |
| No. of Entrepreneurs  | : 28               |
| Land Area Allotted  | : 21.80 acres      |
| Estimated Investment in the Park  | : 27.70 crores     |
| Estimated Employed  | Direct : 5000      |
|   | Indirect : 3000    |
| Estimated Annual Production   | : 35.00 crores     |
| Number of Looms to be employed  | : 2000 in 6 blocks |
| Equity component of the park  | : Rs. 3.00 crores  |
| Equity will be disbursed among  | : 28 weavers       |
| Depth component would be funded by 15 banks headed by IL&FS                                 |                    |
| 75 percent of the product will be cotton based and balance 25 percent will be on silk based |                    |
| Park will be operational by 2008  |                    |

On the basis of the negotiation with both the central and state governments, it was decided that the govt. will provide infrastructure facilities like land, building, roads, power, water and health care facilities. On the other hand, the promoters will provide machineries like looms, dyeing machine, instruments for warping and wefting, besides working capital. IL&FS was appointed as consultants for the overall development of the park and Special Purpose Vehicle (SVP). Whereas Ms. Chalna Desai, Famous Ikat Designer has consultants for design developments. A Board of Director consisting of all the stakeholders was also formed for looking after the functioning of the park. The board will be responsible for the development and marketing of the developed products of the park and brand promotion. On the basis of the objectives, the tender for development of Handloom Park was floated in the third quarter of 2006 and the project will be operational by mid 2008.

#### 8.4 Benefits:

The handloom park will give a much needed lease of life to the thousand numbers of weavers of this SME clusters. It is well known fact that the SMEs in India are decentralised and fragmented. Further the textile SMEs are much more fragmented than others. As a result the SMEs are experiencing capacity constraints, lack of specialisation, cost escalation, lack of trained manpower and hence low quality products. The Pochampally handloom park will be the first of its kinds in India. The handloom sector is experiencing a declining trend during the liberalisation era. With the IPR protecting of this product, the SMEs and the own account enterprises based in the cluster are experiencing growth and prosperity. Again the creation of Handloom Park could also been more and more value addition and help the product in creating a brand value in future.

a. Cost Rationalisation- Most of the enterprises are small and tiny. The turnover of the enterprises is quite low. Due to lack of adequate capital, the weaver procures raw materials on daily basis from the local market or from local yarn dealers. The weavers are also compelled to sell their products on daily or weekly basis to marketing agencies. As a result, most of the profits are taken away by the intermediaries and the ultimate loser are the weavers. With the formation of consortium and subsequently the handloom park the weavers can procure the raw materials at law price. Since the raw materials constitute more than 50 percent of the cost, any reduction in price could increase the prospect of profitability of these small manufactures.

b. Economies of Scale-With the setting up of park, the entire process of production would be cut into separate segments and each segment will be handled by a particular specialised persons. This means that one person would do only on activity over the period and it will bring specialisation in the production value chain. For example, there would be only set of people doing bleaching of raw materials and the other set would do degumming, yarn winding, weft preparation, design marking, colour dyeing, warp preparation, weaving and so on. The specialisation could bring increasing returns to scale in the process of production and hence could optimise production and also profit. Most importantly the small weavers in their combined effort will be able to cater the bulk orders arising out of post GI registration activities taken up by the producers collectively.

## Chapter-9

### Conclusion and Suggestion

Geographical indication is the newest addition to the TRIPS agreement as a means to protect the traditional knowledge of the country from infringement and mis-utilization of the property by handful producers for their own interest. The property right also prescribes community ownership for the products originated in a particular territory with unique qualities with a provision for protecting the consumers from deceptive practices. When a product is registered under the act it prevents other producers from outside to use the same GI and thus from free riding on the reputation of the producers built overtime. The guarantee that the products carrying the GI originate in the area indicated is also supposed to convey information on certain product characteristics. It also provides a legal protection to the unique products in the globalised era, when the threat of infringement has increased by manifold times.

Empirical evidence of some of the products protected through GI has indicated that the protection is not only creating a mechanism for the securing the product from unauthorised mass poaching of the unique products but also brings about some positive changes in terms of price, quality and productivity.

It has also positive impact on the perceptions of the consumers. A study undertaken by the WTO on EU consumers reveals that 40 % consumers are interested to pay 10% more premium price for the GI designated products due to its originality and uniqueness.

Pochampally was the first textile product to get registered under GI and they have achieved innumerable success, in terms of publicity, market, awareness, brand building and sales of the Pochampally products.

Through some secondary source of data and through FGD Focused Group Discussion some conclusions drawn were as follows:-

1. Publicity – The Pochampally product received visibility and was being accepted by all the national and international consumers. It also gave opportunities for the researchers to study on topics related to Pochampally Ikats. Due to large demand the manufacturers there worked a lot on product diversification and have developed few more products to attract the consumers towards them. They also started their own website ([www.pochampally.com](http://www.pochampally.com)) where they put up all the types of products and designs making easy for the outside customers to order for the product.
2. Awareness – after the GI registration the weavers were able to deal with consumers directly. They started participating in various exhibitions. The consumers are now coming

directly to Pochampally instead of purchasing from Hyderabad city, so as to get the original product and at a cheaper rate. Data collected from Pochampally in Hyderabad stated that about 25% of the consumers and more than 80% of the manufacturers are aware about the GI protection to Pochampally products.

3. Increase in sales turn over – Due to increase in demand of the product in the market, the production increased. Also the quality was improved so that consumers get satisfied and keep demanding more. Thus, the price rise was seen. Also due to higher demand the manufacturers had to work in higher speed resulting in increase in productivity and sales turnover.
4. Brand Building – geographical indications act has not only protected the product from infringement but has also motivated the producers to make their special identity all over the world. For this they are working on brand building i.e. getting a Trademark to the product. Few manufacturers have already created a brand name “Chilka” for his ikat products. Once the producer gets the brand name he has to maintain a certain level of quality and has to maintain it to same level throughout.
5. Product Diversification – so as to attract more customers towards the product, variety in product is a requirement, and this has been realised by the manufacturers and they are now experimenting and developing some more product like the stoles, heavy dupattas, etc to make their stand in the market. Also the designs developed manually, are now developed professionally by hiring special designers for innovation in ikat designs.
6. Development of Consortium – As the economic status of all the manufacturers is not very strong, they are trying to unite and get in a group (consortia). With this a group of people can invest more, produce more in short time and ultimately earn more than before. Thus, showing us the empowerment of the weavers in Pochampally district.
7. Handloom Park – ‘Handloom Park’ is another outcome of the GI Act. This is a project proposed by the Pochampally people to the government of Andhra Pradesh. It is the project of 35 crores and on 21 acres of land. Here the manufacturers will be provided with the raw material, loom set up, they just have to come and weave the product. Appropriate working conditions will be set up to make the manufacturers work efficiently.

The elimination of infringement has brought fair competition and increase price to the GI designated products. By doing so the manufacturers of Pochampally are able to capitalise the benefits of IPR protection yet. It has been a major constraint for protecting the unique quality and harvesting the benefits of registration. And today we can see the bright future of the weavers and the handloom cluster and also the consumer satisfaction in terms of all factors related to the Pochampally Ikat products.

### **Suggestions :**

1. Market education – there must be a training programme planned for the weavers to educate and upgrade them with technology, quality of raw material, and skill of pricing.
2. Improvement in dyeing – identifying good quality of dye and also using it by quantifying the proportion of dye and water has to be learned by the manufacturers. The reason being, the manufacturers are able to produce very few number of any product of same colour and shade, also purchasing of dye is from local market which gives a mixed quality dye, thus affecting the quality of product.  
And if they use the dye by measuring it they will reduce the wastage of dye, therefore reducing the cost of product.
3. Export Market – an exposure to export market of the weavers has to be increased so that they get their true value in terms of profit.