

Interactive Session with Ministries of Finance, Commerce & Textiles

Issues of Textiles & Clothing Sector

Shishir Jaipuria, Dy. Chairman, CITI

New Delhi, 2nd March 2009

Growth % in Production of T&C over previous period

Year	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Apr-Dec
2004	32.7	2.0	-2.8	1.9	6.1	5.0	14.2	10.2	12.3	8.4
2005	5.4	10.0	18.2	6.4	11.6	12.5	9.3	7.1	7.4	9.7
2006	10.7	14.6	7.9	14.3	12.7	8.3	2.4	17.3	10.9	10.9
2007	8	6.2	4.8	5.6	3.4	3.2	10.1	-2.6	1.4	4.3
2008	1.3	7.3	6.6	-1.8	-6	0.6	-7.1	2.7	-3.0	0.0

- Losses for most units
- Erosion of working capital
- Slowdown in Investment
- Lakhs of Jobs lost and situation will worsen in coming months

Net Profit , Rs. Crore				
Year	Q1	Q2	Q3	Q4
2006-07	517	932	701	649
2007-08	422	503	321	-2
2008-09	-37	-104	-649	NA

Source: CITI estimates from BSE listed 176 T&C companies

- Decline in T& C exports to major economies

% change in 2008 over 2007 for T&C exports from India										
2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
World	15	16	15	40	11	17	8	-2	-9	-10
Canada	11	18	1	7	-3	-8	-22	-17	-21	-23
USA	10	5	2	11	-8	-3	-7	-8	-5	-12
Japan	-17	7	8	24	3	41	21	8	-9	5
Europe	10	18	11	35	5	7	2	-12	-16	-19

Source: CITI estimates from CMIE/DGCI&S data

- Declining Unit Value Realization

Decline in UVR for T&C exports to US in 2008										
UVR	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(\$/SME)	2.06	1.94	1.73	1.77	1.76	1.55	1.62	1.64	1.64	1.63

Source : Otexa, US

- Competing countries have outperformed Indian apparel imports in US in recent quarters

US Clothing Imports : % change over previous year				
	Knitted Apparel		Woven Apparel	
	Jun-Sep	Oct-Dec	Jun-Sep	Oct-Dec
China	1.0	10.5	2.8	8.4
Bangladesh	24.4	25.4	8.3	16.7
India	-6.9	8.0	-11.0	-7.9
Pakistan	-6.8	3.0	0.7	8.4
Vietnam	28.7	18.1	10.8	4.0
Indonesia	13.5	11.5	-7.2	-9.5
Overall US Imports	-1.3	-1.8	-3.1	-4.5

Source : Otexa , US data

Indian Clothing Imports in EU:

A Deteriorating Situation



- Indian clothing imports by EU have significantly declined in recent months

EU Clothing Imports : % change over previous year

	Sep-08	Oct-08	Nov-08	Jan-Nov 08
CHINA	28.2	14.4	12.7	22.7
BANGLADESH	4.9	8.2	-1.9	13.5
INDIA	11.5	-6.4	-13.2	9.2
VIETNAM	14.9	4.5	-11.3	18.9
SRI LANKA	-1.0	14.8	-14.3	13.9
PAKISTAN	3.1	-0.5	-17.0	4.3
EU total clothing imports	9.6	-5.2	-11.0	9.8

Source : Emerging Textiles

Indian Clothing Imports in Japan

- Low growth on low base

Japan Clothing Imports : % change over previous year				
	Share in 2008	% Chge Value in 2008	% Chge in Unit value in 2008	% Chge in Unit value Dec-08
China	81.2	4.9	11.7	16.3
Vietnam	5.0	14.4	8.9	15.3
India	1.2	14.6	5.4	-7.47
Indonesia	0.7	15.3	3.2	9.3
Thailand	0.5	-6.2	0.99	-7.6
Bangladesh	0.3	49.7	12.9	17.9
Total Clothing Imports in Japan	100	5.07	10.2	13.8

- A steep reduction of Draw Back Rates for T&C products
- An increase of 40 percent in MSP for raw cotton
- 5% export incentive for raw cotton
- Delay in disbursement /refunds by Government

- Two-year moratorium on repayment of term loans
- Extension of repayment period for TUFS loans to 12 years
- Liberal approach for CDR proposals

- Reinstatement of the interest subvention of 4% on export credit effective from October 2008
- Provide PCFC liberally to T&C exporters
- Withdraw pre-shipment ECGC charges

- Reinststate the DBK rates that prevailed before the reduction effected in September 2008
- Refund State level duties of 4-6 percent to T&C exporters
- Withdraw customs and excise duties on Furnace Oil and HSD for captive power plants of T&C units.

- Exemption of fringe benefit tax may be extended to T&C exporters
- Refund accumulated cenvat credit
- Service charges for exporters & TED and TUFS benefits should be through exemption instead of refund

- Tex Summit 2007 recognized the need for a comprehensive fibre policy
- Need to accelerate the processes

Price administration for cotton is skewed

Trade regulation, taxation & export incentives for man - made fibres and their raw materials need a relook

- 5% export incentive for raw cotton should be withdrawn
- Abolish customs duty on all man-made fibers
- Relax working capital norms specifically for cotton:
 - 7% interest as against PLR at present
 - 10% margin money (currently 25%)
 - 9 months validity (currently 3-6 months)

- R&D for textile industry and textiles machinery need to be incentivized
- TRAs should be strengthened
- Textiles machinery industry should be modernised

- The measures recommended should be available for two years. Fibre Policy, strengthening of TRAs etc. should be long term.
- Will help in arresting job losses & creating additional 2.5 million jobs in 2 years.
- Will avoid Rs.1 trillion worth of investments turning into NPAs
- Will hike global market share from current 4% to 6%

THANK YOU

www.citiindia.com