One lakh Crore Rupees Investment in Textile Will Turn NPA Sans Government help Textile Industry

[New Delhi, 12th January 2009] Timely help to crisis hit textile and clothing sector can obviate Rs 1 lakh crore investments turning into non-performing assets, thereby saving the nation from a looming catastrophe, according to the textile industry.

At a press conference addressed by the representatives of textile and clothing industry today in Delhi under the aegis of Confederation of Indian textile Industry (CITI), Mr.R.K. Dalmia, Chairman, CITI said that the two financial packages announced by the Government had fallen terribly short of expectation of the industry. Others present at the briefing included representatives of AEPC, PDEXCIL, STREPTC and TEXPROCIL.

The collective opinion of the industry was that speculative investments in civil aviation, real estate and automobiles received sops at the cost of exporting industries like textiles and clothing. They also felt that the packages have not addressed the issues of SMEs, which are labor intensive ones.

In a hard hitting statement, the industry representatives termed the two stimulus packages as cosmetic and superficial and said that whatever sops that were extended were only restoration of facilities, which were earlier withdrawn. For instance, package of 7th December 2008 had only released Rs 400 crore, of the total facilities withdrawn or withheld earlier.

Calling for urgent measures to undo the damages meted out to the industry by way of increasing Minimum Support Price (MSP) of cotton, Mr. Dalmia said that steps should be taken to promptly dispose of cotton procured, at international prices. Also, the working capital norms should be relaxed specifically for cotton. In this regard, he said that the interest rate for working capital for cotton should be brought down to 7 percent. Also, the margin money, which presently rules at 25 percent should be scaled down to 10 percent and the validity should be increased to nine months, which is presently hovering between 3 and 6 months.

Textile and clothing industry representatives also called for easing financial problems being faced by the industry by declaring a moratorium on repayment of term loans for two years. Also, they pitched for providing interest on all delayed government payments. They also suggested that in future, TUFS assistance and TED should be given through exemption and not through reimbursement.

The other suggestions of the industry included restoration of DBK rates reduced in September 2008, providing export credit at 7 percent interest, and funding of derivative losses by banks on a soft loan at 6 per cent. These measures, the industry representatives felt will have an annual impact of Rs 5500 crore.

The industry representatives opined that 7 lakh jobs were already lost in the textile and clothing sector and it might touch one million marks by the end of this fiscal. Also, they maintained that exports and production had declined and most units recorded losses and for those units which made profit, it was negligible. They also expressed the view that businesses are now shifting to Vietnam, Cambodia, Bangladesh and Sri Lanka from countries in North America, Europe and Japan. Countries like China, Pakistan and Turkey are in serious problems. “Given proper encouragement and incentives, textile investment and business can flow into India,” they opined.
