

PRESS RELEASE

Central Budget – A Mixed Bag for Textile Industry

Chairman, CITI

New Delhi – February 28, 2011. Confederation of Indian Textile Industry has stated that Central Budget presented by Finance Minister, Shri Pranab Mukherjee in Parliament on 28th February 2011 is a mixed bag for textile and clothing industry. Giving his reactions on the Budget, Shri Shishir Jaipuria, Chairman, CITI stated that the continuation of the optional scheme for excise duty in the case of yarn and fabric is a welcome feature of the Budget. Allocation of Rs.3000 crore to NABARD in phases for handloom cooperative societies will also be helpful to a large number of handloom weavers once the Scheme is finalized and announced by the Ministry of Textiles. He added that the reduction of customs duty from 7.5% to 5% on certain textile intermediates and inputs for technical textiles will be of some help to the nascent and potential technical textiles.

However, Shri Shishir Jaipuria stated that mandatory excise duty of 10% imposed on branded readymade garments and made-ups would not only have serious adverse impact to these highly labour intensive segments but would also have significant operational problems at the level of implementation. He pointed out that since most of the inputs for these segments would be coming through optional excise duty regime, there will be very little duty credit to be utilized for payment of excise duty by them. He also pointed out that most of the branded readymade garment production in India is outside the SSI segment and therefore SSI exemption will not be of much help. Also, this duty coupled with the SSI exemption has the potential to further fragment the readymade garments and made-ups industries. Shri Jaipuria requested Finance Minister to restore the optional excise duty regime for both branded readymade garments and branded made-ups.

Referring to the increase in excise duty for yarn and fabrics from 4% to 5%, Shri Jaipuria felt that since the optional regime continues to be applicable, this would not have any major impact on the industry.

Shri Jaipuria welcomed the reduction of excise duty on parts of 40 specified textile machinery (List 2 of Notification NO.6/2011-CE) from 10 to 5%, but added that the impact of this reduction will be limited, since most of these machines are not manufactured in India. He added that imposition of 5% excise duty on automatic looms and projectile looms would add an avoidable duty burden on the machinery industry which will impact fabric manufacturers, including the decentralized powerlooms.

Shri Jaipuria welcomed the provision of around Rs.3,000 crore for TUFS, but requested government to resume fresh sanctions under the Scheme at the earliest, since these have been under suspension for a long time now.

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(D.K. NAIR)
Secretary General