



T&C Industry

**The Engine of Growth for Employment,
Exports and Economy as a whole**

**Combined presentation for media
by AEPC, CITI, SRTEPC, TEXPROCIL**

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Current Positioning

- Direct employment of 35 million and indirect 47 million
- Exports at over US dollar 22 billion, 4% of world trade
- Contribution of 14 % to manufacturing value addition





Potential by 2012

- Another 12 million jobs, 5 million directly
- Exports can reach \$50 billion, 6% of world trade
- Domestic market from \$30 billion to \$60 billion





A Crisis, Not of Industry's Making

- Rupee appreciation and interest escalation of 2007-08
- Global financial crisis and demand recession from 7/08
- Serious domestic impact of global crisis
- Price increase and then MSP escalation of 40% on cotton
- Inordinate delay in releasing TUFS and TED payments leading to liquidity crisis.





Present Domestic Situation

- Negative growth in exports and production
- Losses for most units and negligible profits for others
- Investments at standstill, after huge growth for 3 years (Rs. 1,00,000 crore)
- 7 lakh jobs already lost, may reach 1 million this fiscal





Emerging Opportunities

- Industry has shifted out of North America, Europe and Japan
- China, Pakistan and Turkey in serious crisis
- Business shifting to Vietnam, Cambodia, Bangladesh and Sri Lanka
- Can come to India; we have lower impact of global crisis and still labour cost arbitrage





Minimal Impact of Stimulus Packages

- Package of 7/12 only released withheld dues and partly restored facilities withdrawn earlier -- Rs. 400 crore out of 40,000 crore
- Package of 2/1 made cosmetic changes in export incentives
- The packages have not addressed the issues of SMEs which are in labour intensive industries
- Speculative investments in civil aviation, real estate and automobile received sops at the cost of exporting industry





Measures Needed to Undo MSP Damage

- Dispose of procured cotton promptly, at international prices
- Do not allow export of procured cotton
- Relax working capital norms specifically for cotton:
 - 7% interest as against PLR at present
 - 10% margin money (now 25%)
 - 9 months validity (now 3-6 months)





Convert Crisis into Opportunity

- Ease financial position by 2 year moratorium on term loans
- Provide interest on all delayed government dues
- For future, give TUFS assistance and TED through exemption, not reimbursement





Convert Crisis into Opportunity.... Continued

- Restore DBK rates reduced in September 2008
- Provide export credit at 7% interest.
- Derivative losses should be funded by banks on a soft loan of 6%.

All the above together will have an annual impact of around Rs. 5500 crore





Benefits of the Facilities

- All these should be for 2 years
- Will help in creating additional 2.5 million jobs.
- Will increase exports by 10% in 2009-10
- Will avoid Rs.1 lakh crore investment turning into NPAs
- Will increase our total world trade market share to 6%





THANK YOU

