

CITI Welcomes Increase in TUFS Allocation

New Delhi, 6th July, 2009 – Reacting to the Central Budget presented in Parliament by Finance Minister, Shri Pranab Mukherjee on 6th July 2009, Shri R.K. Dalmia, Chairman, CITI has welcomed the substantial increase in allocation for Technology Upgradation Fund Scheme. The allocation has been increased from Rs.1090 crore last year to Rs.3140 crore this year. Because of inadequate budget allocation, there has been a backlog of more than one year in disbursements of TUFS assistance. Shri Dalmia stated that increase in budget provision would be able to remedy this situation substantially.

Reintroduction of 4% optional excise duty for cotton textile products is also a welcome step since this would allow textile companies to use cenvat credit on capital goods, dyes and chemicals, packing materials etc.

Shri Dalmia also welcomed extension of 2% interest subvention on export credit from September 2009 to March 2010 but added that the industry was expecting the subvention to be restored to the original rate of 4% which has not been done. Abolition of fringe benefit tax and commodity transaction tax are also welcome features of the Budget, Shri Dalmia added.

Referring to the negative proposals in the Budget, Shri Dalmia pointed out that mandatory excise duty on man-made fibres, filaments and their raw materials has been increased from 4% to 8% which would make fibres even more uncompetitive than they already are. Increase of MAT from 10% to 15% on book profit will also have a negative impact, though very few companies in the textile sector are making profits right now. On service tax, certain services have been exempted and in the other services, the procedure for reimbursement has been simplified by introducing self-certification and certification by Chartered Accountants. Shri Dalmia hoped that this would take one irritant out for the exporters.

While increased allocation for integrated textile parks and announcement of two mega parks for handlooms and powerlooms are welcome, the benefit of these measures would take a while to materialize.

Shri R.K. Dalmia stated that nothing has been done in the Budget to address the important issues of power cost and working capital cost that the textile and clothing industry is facing.

Shri Dalmia stated that the Budget was a missed opportunity for Government to pull the export oriented and labour intensive T&C industry out of its current crisis. The proposals are a mixed bag of certain positive steps and certain negative steps and these do not have the potential to bring the industry back to the path of growth in production as well as exports.