

Textiles & Clothing Industry

Sustaining Exports & Employment

FICCI, 21st November 2008

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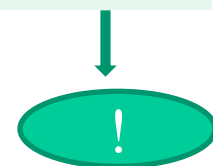
Textiles Production Slowdown – IIP Data



Y-o-Y percentage growth in IIP	Weight age	2007-08	2007-08	2008-09	2007-08	2008-09
			September		April-September	
Cotton Textiles	51%	4.3	4.9	-9.3	6.1	-0.5
Wool, Silk & MMF Textiles	21%	4.8	4.0	1.4	4.7	-0.2
Textile Products (including Garments)	23%	3.7	0.3	-1.9	3.2	3.8
Vegetable Fibre Textiles (except cotton)	5%	33.1	4.8	-0.4	18.9	-5.5
Total Textile Sector	100%	5.5	3.2	-4.9	5.2	0.3

Source: CITI estimates from CSO data

Annual growth in 2007-08 mostly was in first half



Employment Scenario

- T&C Industry employs 35 million workers directly, as per CRISIL study.
- 1% decline in production will result in loss of nearly 3.5 lakh jobs.
- 7 lakh jobs are estimated to have been lost and another 5 lakh may be lost by March 2009.

Constraints

- High raw material cost
- High power cost
- High interest cost
- Delay in disbursement of government dues eroding working capital.

Performance of Textiles Units – Profitability

Company Name	% Change Q1 (2008-09 over 2007-08)	% Change Q2 (2008-09 over 2007-08)	Company Name	% Change Q1 (2008-09 over 2007-08)	% Change Q2 (2008-09 over 2007-08)
Abhishek Ind	-342	-416	Patspin India	-544	-7257
Alok Ind	-48	-2	Ramco Industries	53	30
Arvind Mills Ltd.	-34	-84	Raymond Ltd.	-875	-21
Ashima Ltd.	-120	-23	RSWM	-619	-925
Bannari Amman Spinning Mills	-19	40	Ruby Mills	14	50
Bombay Dyeing	-370	-828	Sangam India Ltd.	-228	-246
Century Enka	50	-48	Skumar Nationwide	29	34
Century Textiles & Industries Ltd.	-42	-60	Shiva Taxyarn	-6	-22
GTN Textiles	-61	-398	Shree Rajasthan Syntex	-227	46
GTN Industries	-743	-2070	Siyaram Silk Mills	-55	-35
KG Denim	-37	103	SRF Ltd.	-18	24
Maral Overseas	-28	-119	Sutlej Textiles	-215	-244
Nahar Spinning	-74	-112	Vardhman Textiles	-81	48
Nitin Spinners	-1905	-11598	Welspun India	-92	-97

Performance of Major Textile Companies



- Financial results of 50 major textile companies listed in BSE:

Turnover		Net Profit	
Q2--2008-09	Q2--2007-08	Q2--2008-09	Q2--2007-08
8414	6828	-206	+223

- Thus while turnover increased, profits became negative in Quarter 2. In the remaining 2 quarters, even turnover will decline.
- For smaller units, already there is significant production loss.

- Over 50 percent of textile products manufactured in the country is being exported.
- USA, EU and Japan constitute over 60% of our textiles exports
- USA's import of textile products from India during January-August 2008 declined by 1.56 percent in value terms, compared to the same period of 2007 and for garments, the decline was higher at 4.80 percent.
- The imports demand of Indian textiles in EU and Japan is declining on similar trend, though data is not available yet.

China

- A 2-4 percent increase in the rates of VAT refund on T&C exports to take them to 13 per cent announced in July 2008 and in October, they increased it further to 14 percent.

Pakistan

- R&D assistance to garment exporters at 6 percent;
- 5 percent refund of interest paid on loans for machinery purchase by T&C industry;
- 3 percent interest subvention for spinning industry; and
- A two year moratorium on repayment of the principal amount **and interest** on term loans taken by the T&C industry.

- ❑ Interest subvention of 4 percent on export credit withdrawn six months before its scheduled expiry;
- ❑ A steep reduction of Draw Back Rates for T&C products;
- ❑ An increase of 40 percent in Minimum Support Prices for cotton, which would prevent the moderation of cotton prices.
- ❑ Provision of Rs.300 crore for TUFs in the Supplementary Budget, against the requirement of over Rs.2000 crore for clearing present backlog.

- ✓ Reinstatement of the interest subvention of 4 percent on export credit, at least for the initially announced period of up to 31st March 2009;
- ✓ Reinstatement of the DBK rates reduced earlier;
- ✓ Reimbursement of 4-6 % State level duties which are not refunded to exporters by either Central Govt. or State Govts;
- ✓ Extension of the post shipment validity of export credit to 180 days, in order to accommodate the payment crisis in international markets;

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- Encourage captive generation by
 - Abolishing customs and excise duties on liquid fuels for T&C industry.
 - Reimbursing the cost difference between grid power and self generated power.
- Provide gas to T&C units, wherever feasible, at Administered Price Mechanism rates.

- ✓ clear the backlog in TUFS assistance and other government dues;
- ✓ If sufficient funds cannot be provided immediately, ask banks to allow interest free loans against all Govt dues;
- ✓ Allow a moratorium of two years on repayment of term loans taken by textiles and clothing industry and relax NPA norms to accommodate this;
- ✓ Extend the period for repayment of TUFS loans from the current 10 years to 12 years;

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- ✓ Enable mills to buy cotton by providing them working capital loans , at 7 percent interest at par with the rate applicable to agri products, against a margin of 10 percent and for a period of 9 months;
- ✓ Mandate Cotton Corporation of India to sell all procured cotton to Indian mills without holding it and creating an artificial shortage in the market;
- ✓ Mandate CCI to sell cotton to domestic mills at market price through auction or at a price equal to the f.o.b. export price available to it minus the cost of export involved.

Benefits of Recommended Package

- A possible loss of 10-12 lakh jobs can be averted or at least substantially reduced.
- Our market share in USA, EU and Japan can be sustained.
- Huge investments made by the T&C industry in capacity building during the last few years can be saved from idling.
- The possibility of a large number of term loans turning into NPAs can be averted, which would otherwise cripple the banking sector.
- The decline in cotton consumption and the resultant farmers' distress can be arrested.
- The important role of the T&C industry in the country's economic and social development can be sustained.

Thank You .