

EXPECT FASTER GROWTH IN THE NEXT TWO QUARTERS

# Textile cos may enter profit zone as demand picks up

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**W**ORST seems to be over for the textile industry. Order books of textile exporters are full and inventories have gone down significantly, signifying faster growth of the sector in the next two quarters, said top two exporters. The domestic textile firms were the worst sufferers until recently due to the recent global recession.

"The worst is behind us. Within the next two quarters, we can expect demand to reach levels as were before the recession," said Vardhman group chairman SP Oswal said.

As per Orient Craft, one of the top textile exporters, the company is witnessing considerable signs of improvement in demand. "In a quarter or two, we can expect a revival in this sector," its managing director Sudhir Dhingra said.

He said countries such as Bangladesh are taking advantage of



India's 'pricing policy'. "When a foreign customer buys from Bangladesh, he is exempted from paying any taxes, thereby giving us a clear disadvantage," he added.

The industry expects a better time for the textile sector from the current season itself, that has started from September. "We are expecting better sales this year in comparison to 2008-09," said Lerros International CEO Ram Prasad. Inventories of apparel and garment companies have seen a considerable decrease even as

## SILVER LINING

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- **But exporters are worried about longer periods of repayment of credits by buyers**

production has gone up due to higher demand, he added.

Mr Oswal said that the demand crunch was high during the peak of the recession, but things have changed now. "Now, our order books are seeing heightened activity coupled with greater enquiries by prospective and existing customers," he said, saying that the 7-8% growth rate targeted by the textile minister is achievable, as there are many opportunities to tap.

But KPR Mills managing director

P Nataraj sounds sceptical. "This has been the worst period in the past 15 years, so recovery will take time," he said.

The only problem which seems to worry the exporters is the longer periods of repayment of credits by the buyers. "Payment, especially by smaller buyers, are not prompt and this affects our working capital requirements," said an exporter requesting anonymity. While in the early days of the recession, buyers wanted a 30-day credit period, they now demand 90-120 days credit, he added.

However, this is a phenomenon common during a recessionary phase, said Confederation of Indian Textile Industry (CITI) secretary general DK Nair. "Due to lower demand in their countries, buyers will ask for longer periods of repayment, but as the global situation improves, recovery will be faster, thus enabling quicker payments by customers," he added.