

Textile sector sliding, agree govt, industry

NAYANIMA BASU
New Delhi, 18 December

Despite several measures from the government to help the textile industry, the latter is struggling with a number of adversities.

Yarn production has been witnessing a steady decline since May, against the same period last year. During April to September, production declined by seven per cent to 2,164.7 million kg against 2,327.3 mn kg in the corresponding period of 2010-11. Production of fabric also contracted by 5.2 per cent during April to September compared to last year. Cotton output fell to 14,854 mn sq mtrs from 15,761 mn sq mtrs in the same period last year. Spinning capacity is operating at 60-70 per cent, not covering the break-even point.

"The government has been doing many things to help the industry. But one shoe does not fit all. Since April, the sector had been sliding, which is unfortunate, but that is the case with every segment of the economy right now. Only the power problem has been an issue with the industry but that is a larger problem. In recent

months, we have offered a modified Tufts (Textile Upgradation Fund Scheme), interest subvention, yarn at affordable rates, transport subsidy, DEPB (Duty Entitlement Pass Book) restoration and creation of textile parks," textiles secretary Rita Menon told *Business Standard*.

To strengthen the industry and increase employment in the sector, the government has been implementing schemes such as the restructured Tufts, the Scheme for Integrated Textile Parks and the Integrated Skill Development Scheme.

"It is going to take a huge effort to bring the sector back on a growth path. If India is serious about the sector, a lot needs to be done in infrastructure, energy cost, hidden costs of doing business and the interest rate regime, among other things. In my view, monetary policy has limited scope," said Ashish Bharat Ram, managing director, SRF Ltd. Agrees O P Lohia, chairman and managing director of Indo Rama Synthetics Ltd, who believes absence of a comprehensive policy has led to

such a situation over the years. He also highlighted the need to bring a National Fibre Policy.

"We want the industry to improve and be competitive. Today, countries like Bangladesh and Vietnam have become our competitors because they are strong in synthetics. Ironically, in our country, duties on a commodity like cotton, which is considered a luxury item, is zero; on synthetics, it is as high as 10 per cent," said Lohia.

In the Index of Industrial Production, the textile and clothing sector declined by 3.3 per cent during the first half of 2011-12, similar to the comparable period in the thick of the

global financial crisis, according to the Confederation of Indian Textile Industry (Citi).

"In the last two quarters, textile and clothing companies faced huge losses. Part of this is because of developments in global markets that could not have been anticipated and some irrational measures taken by the government last year, in spite of the industry's pleas to the contrary," said D K Nair, secretary-general, Citi.

Decline partly attributed to economic situation, but firms say state needs to do much more to help