

Need to address slowdown in textile industry

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COIMBATORE: The Union Textile Ministry has recently recommended to the Finance Ministry a restructuring proposal for the textile industry.

According to S. Dinakaran, Chairman of Southern India Mills' Association, the programme is an "urgent need" to address the slowdown that is witnessed by the textile units this financial year. High raw material price volatility in the last cotton season (October 2010 to September 2011) and steep fall in cotton prices in April 2011 have had immediate repercussions on

the domestic industry.

According to the Confederation of Indian Textile Industry, of the 287 textile companies listed on the Bombay Stock Exchange, 122 reported net losses in the first quarter of 2011-12 and 166 had poor results compared to the same period last year. A restructuring programme was necessary so that the units had cash flow for repayments and for the daily operations, he said.

A stakeholders meeting was held last month and the Textile Ministry had proposed a restructuring programme. It suggested two

year moratorium on repayment of the principal amount against long-term loans for capital-intensive segments of the industry with effect from July 1 and one year moratorium for other segments.

The Ministry also suggested relaxation of norms by the Reserve Bank of India so that asset reclassification could be avoided for units because of repeated rescheduling.

The 2 per cent interest subvention on pre-shipment and post-shipment rupee credit to small and medium-scale units should be extended to the garment and knitwear sectors too.