

# Textile sector to reap profits from falling ₹

■ Traders from the US and EU may be tempted to shift orders from China, Bangladesh and Vietnam to India

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New Delhi, Dec 7

THE recent weakening of the rupee has come as a blessing in disguise for Indian textile and apparel exporters. Textile buyers from the US and EU may be tempted to shift orders from China, Bangladesh and Vietnam to India thanks to increased competitiveness of Indian exporters thanks to a weaker local currency.

While China has long been a dominant player in the global textiles market, Bangladesh and Vietnam have in recent months been outdoing India in value-added products, despite Indian textile industry being much more integrated with backward linkages. Lower labour cost has been their strength.

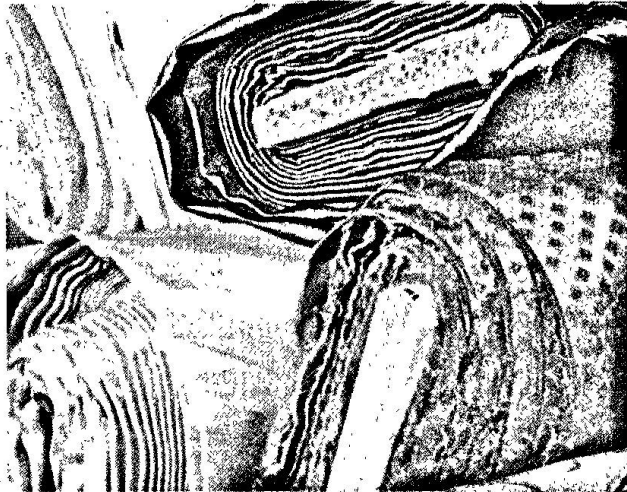
The rupee's decline (-17% in July-November) with respect to the US dollar has been much more compared to countries like China, Vietnam and Thailand, which is a prime factor for foreign players to prefer India over other markets, said a textile ministry official.

According to textile experts, China as a leader in world clothing market is facing the risk of currency appreciation and continuous rising production cost despite manageable domestic inflation rates. Apart from this, other major clothing exporters like Bangladesh, Vietnam and Turkey are also witnessing increasing production costs in

## STRENGTH IN WEAKNESS

Movement of local currency vs \$  
(Jan-Oct 11)

Brazil	-1.00%
China	4.00%
Colombia	7.00%
Hong Kong	0.00%
India	-17% (July-Nov)
Indonesia	1.00%
Japan	5.00%
S. Korea	2.00%
Malaysia	0.00%
Mexico	-6.00%
Pakistan	0.00%
Singapore	
Sri Lanka	1.00%
Taiwan	-2.00%
Thailand	-2.00%
Bangladesh	-8.00%
Vietnam	-6.00%



clothes making and high domestic inflations in domestic consumer prices.

Rita Menon, secretary, ministry of textiles, told FE, "We are hoping that export figures would go up as the textiles ministry has recently announced a slew of initiatives which includes 2% extension of duty credit on exports of apparel products to the US and EU and improvement in the Focus Product Scheme." She said that this is done

mainly to incentivise export of such products which have high employment intensity in and semi-urban areas.

DK Nair, secretary general, Confederation of Indian Textile Industry, said that currency depreciation in India could further help compete with China in US and EU. "Although high interest rates and production costs are at odds for Indian textile exporters, high increments in production costs

phenomena are among all major textile exporters," said Nair.

According to textile players, exports might get a boost with the weakening rupee. Mukund Choudhary, MD of Spentex Industries, said, "India has grown reasonably in 2010 exports, but it is finding some tough positions to repeat a similar performance in the current year. Spinning mills are suffering huge losses due to lack of demand cou-

pled with the government's flawed policies and a relief is needed."

Dinesh Oswal, MD, Nahar Spinning Mills, said that the fluctuation in cotton prices had resulted in the huge stocks with the textile units who have no other option but to sell their stock at a loss.

During the first eight months of 2011, exports of China to the USA grew by 8.37% as against a growth of 12.09% registered by India.

According to the ministry of textiles, China is increasingly shifting its sales to the booming domestic market from exports. In global textile trade, China's current share is around 30% and India's share is less than 5%. "If we are able to take over 15% of China's share, that will almost double India's share in the world trade despite tough competition from other Asian countries," said SV Arumugam, chairman, Confederation of Indian Textile Industry.

Ajit Ranade, head of Corporate Economic Cell, Aditya Birla Group, said that the overall textile exports of India to Asian countries have gone up from 25% to 32%. "West Asia has become a major trading partner of India and the exports of India to West Asia has gone up to 20%, Latin America from 1.9% to 3.2%," he added. India increased its global exports by 14.2% from \$ 21.12 billion in 2009 to \$ 24.12 billion in 2010. Vietnam (28%), Bangladesh (26.2%) and China (23.7%) witnessed highest growth rates in 2010 over 2009 as per a WTO report.