

# Troubled times for cotton textile sector

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The predominantly cotton-based textile industry in Tamil Nadu is today in dire straits. The industry's plight is both due to internal and external factors, such as slowdown in the US and the European Union and unprecedented volatility in the price of cotton and cotton yarn.

The industry, according to the Southern India Mills Association (SIMA), has incurred a loss of at least Rs 15,000 crore in the last six months and mills in the State are operating under huge cash losses. In the last 10 years, more than 100 mills have closed down operations.

An unfair cotton trade policy, unsheduled power outages, volatile cotton yarn prices, rising interest costs,

etc., have been cited as reasons for the dip in the sector's fortunes.

Coimbatore, Erode, Salem, Tirupur and Dindigul had emerged as prominent textile hubs, though cotton has never been grown in a big way in the State.

Less than 3 per cent of the spinning sector's requirement of the fibre is produced here, whereas the State accounts for 47 per cent of the consumption of the country's total cotton production. This has become a problem in recent times, with the diesel price hikes making it unviable for the mills to procure cotton from upcountry destinations

## COTTON EXPORTS

SIMA had, in a representation to the Commerce Ministry, pointed out that mills in

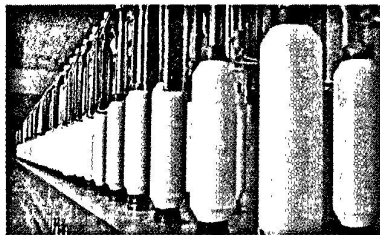
China, Bangladesh and other competing countries imported cotton through the sea route, at less than 40 per cent of the cost that mills in such States as Tamil Nadu or other spinning clusters incurred.

The association urged the Government to frame the cotton export policy such that the competing countries did not derive a competitive advantage from Indian cotton.

It has also suggested that the Government should consider imposing a levy of at least Rs 2,500 a tonne as freight equalisation charges to bridge the gap.

## FLIP-FLOP ON POLICY

Industry sources have, in the meantime, voiced concern over the Government's announcement on cotton ex-



**Sunset sector?:** Tamil Nadu's spinning mills, that consume almost half the country's cotton production, have been hit hard by spiralling transportation and other costs.

port volumes, when the produce just started to arrive at the market yards.

While we are not against export of cotton, we feel the Government should make such announcements only in January or later, after assess-

ing the crop position, domestic industry's requirement, and so on. The Government's flip-flop policy is having an adverse impact on the spinning mills, say spinning industry sources.

The sources say the Gov-

ernment quantifies cotton export volumes even before a reliable estimate of the crop is made; when the garment sector raises its voice and demands that yarn exports be halted, the powers-that-be relent to their pressure without assessing the situation.

A look at the predicament of the mill sector since the beginning of 2011 shows that there was an abrupt restriction on export of cotton yarn to 720 million kg for 2010-11 based on complaints of high prices and low availability. This ban on export between January 15 and March 31, 2011 resulted in huge inventory with the mills.

Even after the restrictions were withdrawn, exporting units had a hard time as most of the regular importers had turned to other sources.

Further, there is no parity

between cotton and cotton yarn selling price today,' lament SIMA members.

## POWER SITUATION

Apart from all this, the industry has to cope with the pathetic power situation in the State. In a recent representation to the Tamil Nadu Chief Minister, SIMA has appealed for immediate segregation of the industry feeder from the rest to enable HT industries source uninterrupted power from private parties and power exchanges.

The industry, which is operating one-third its capacity because of the issues cited above, provides employment to over 50 lakh people in rural pockets.

Closure of mills or cut back in shifts will obviously hit the workforce badly.

Despite the odds the tex-

tile industry faces at present, the textile machinery major Lakshmi Machine Works does not foresee too much of an adverse impact on its fortunes, as there are projects under execution for now.

"There is a perceived slowdown, but strong financials have helped us tide over the situation," said LMW's Director (Finance), Mr R. Rajendran.

He conceded that the company was executing projects booked last year. "The off-take of machinery is better in the North than by the mills located in the South. Tamil Nadu is having problems. Mills located here had procured cotton when the prices were at its peak; yarn prices slipped; it is a sticky situation and has impacted the industry adversely," he said.

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