

Lack of govt support to hit textiles during slowdown

Neha Pal
New Delhi, Nov 8

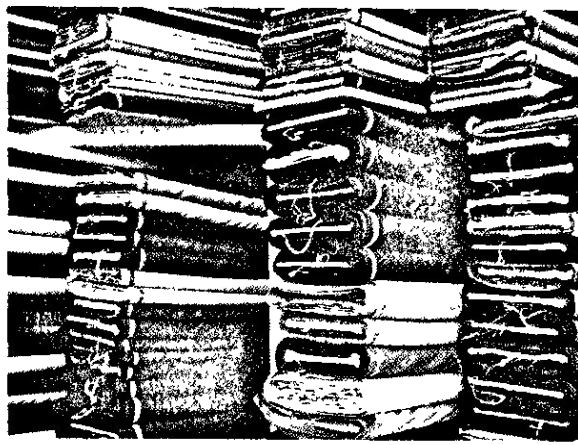
DEMAND erosion in major markets would not just hit the \$62-billion (₹2.75 lakh crore) Indian textile industry but is likely to make India less competitive in a recession prone global market, as it happened in 2008.

Three years ago, when the recession hit the global textile industry, China increased its drawback from 12%-17% and Pakistan introduced an R&D rebate of 7.5%, even as Bangladesh enjoyed zero-import duty in the European Union countries and was attracting large investments from China and South Korea.

Major textile players say other countries are preparing themselves for dealing with recessionary waves. India, however, has been reducing the benefits offered to its exporters. Besides, the current uncertainty over raw material price and infrastructure constraints will make India less competitive in a recession-prone global market.

According to a report, except India all other leading textile-producing countries from Asia had increased their market share during the slowdown.

Confederation of Indian



MAJOR TEXTILE PLAYERS SAY OTHER COUNTRIES ARE PREPARING THEMSELVES FOR DEALING WITH RECESSIONARY WAVES. INDIA, HOWEVER, HAS BEEN REDUCING THE BENEFITS OFFERED TO ITS EXPORTERS. BESIDES, THE CURRENT UNCERTAINTY OVER RAW MATERIAL PRICES AND INFRASTRUCTURE CONSTRAINTS WILL MAKE INDIA LESS COMPETITIVE IN A RECESSION-PRONE GLOBAL MARKET

Textile Industry (CITI) secretary general D K Nair said, "The support from government and financial institutions has fallen significantly and the rising cost of finance and commodity prices is putting a severe pressure on the cost of production and prices."

"Though the Indian textile industry has a favourable index in terms of productivity and raw material

availability, it becomes less relevant in a sluggish market where the price factor rule the roost," said CITI secretary Shaju Mangalam.

Vardhman Group of Companies chairman SP Oswal said, "The number of companies defaulting in making payments to banks has gone up. The ban on ex-

port of cotton yarn wasn't the right step and there has been an erosion in the value due to accumulated stock."

According to Nahar Spinning Mills managing director Dinesh Oswal the fluctuation in cotton prices has resulted in huge stocks lying unsold with the textile units prompting them to sell these at a loss. The drawback benefits given to the industry over the last several years have also come down sharply.

"In case of cotton yarn, the duty was withdrawn and is currently at zero level," said CITI president Shishir Jaipuria, adding efforts to revive the market for textile products have to begin with encouraging higher consumption of fibres. For this, he said, the working capital position of textile units has to improve substantially in terms of availability and cost.

Experts are of the view that the debt crisis in the US and EU could trigger another bout of slowdown. According to Nair, though it is too early to draw any inference regarding the potential impact of the ongoing crisis, it would have some impact on trading activities.