

# Textile exporters' profits to be hit

As dollar gains, importers seek renegotiation of contracts signed earlier; exports may rise only if govt gives incentives

SHARLEEN D'SOUZA  
Mumbai, 23 May

Textile exporters have not much to cheer about from the decline of the rupee against the dollar, as the fall has been so sharp that importers have started seeking renegotiation of contracts already signed.

Most exporters from India signed contracts a month or two ago, when the rupee was trading around 51-52 against the dollar. Since then it has witnessed a sharp fall to trade at 56 a dollar today.

"Orders are taken with the value of rupee at the time when the contract is signed. Currently, windfall profits have gone and importers are bargaining and asking for a reduction in price," said Rahul Mehta, president of The Clothing Manufacturers Association of India (CMAI).

Textile exporters are still getting higher realisations compared to last year. In the second half of the last financial year, average realisation was said to be in the range of 48-50 a dollar.

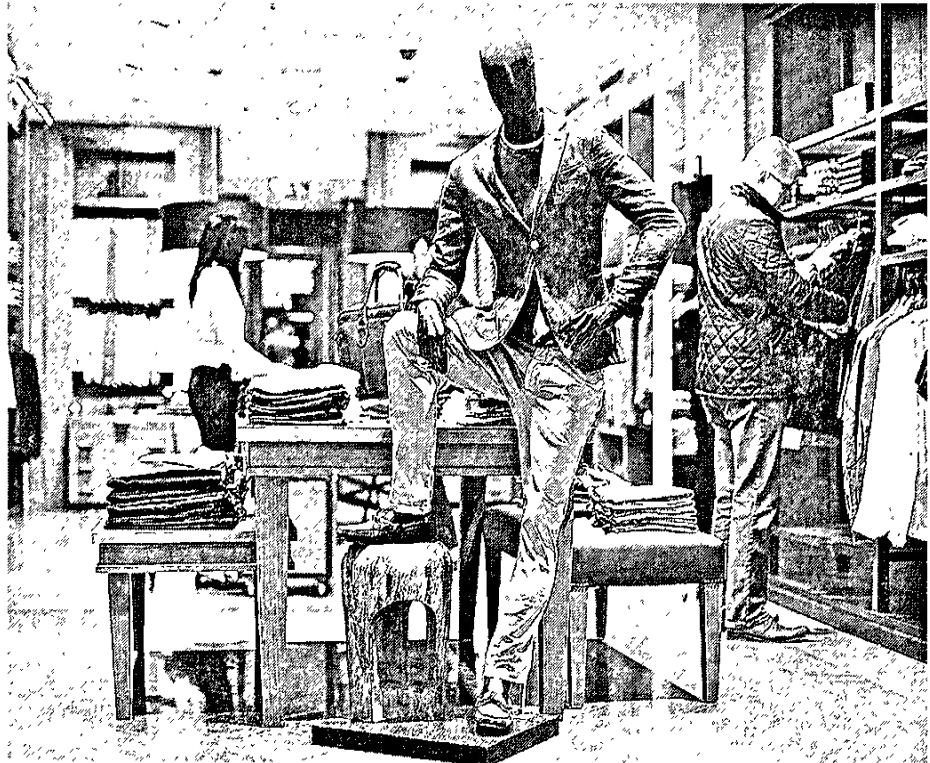
While some home textile makers have taken in orders for

the next six to 12 months, apparel exporters have filled their order books till October.

"We have taken some orders for the next six to 12 months and in this time the rupee has been volatile. Hence, we have done some forward booking," said R Sundaram, president, finance and company secretary of Indo Count Industries, a home textile producer.

According to the Confederation of Indian Textile Industries (Citi), in the last financial year, total textile exports stood at \$34 billion, compared to \$27 billion in FY11. Apparel exports in the last financial year till February were \$12.15 billion, compared to \$10.2 billion in the same period in 2010-11, according to the Apparel Export Promotion Council (AEPC).

A Sakthivel, chairman, AEPC, said, "Exporters on an average keep a third of their positions open, while they buy dollars for one-third when they sign order and hedge a third of the order amount in the forward market. For open positions, importers are seeking re-negotiations." He said the Council has fixed a 15 per cent



**STILL HOPEFUL** Apparel exports in the last financial year till February were \$12.15 billion, compared to \$10.2 billion in the same period in 2010-11. PHOTO: REUTERS

higher target for apparel export in 2012-13, provided the government gives some incentives.

The Council had put forward

a number of demands, including lower cost of funds, when they met the commerce minister last week. He assured them of

some incentives, may be announced in the foreign trade policy changes in the next couple of week.