

Finally, grand deal for textile sector

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BUDGET 2006-07 has come up with a host of provisions for the textile and garment industry in order

to boost the sector's productivity and give a push to exports.

The FM conceded to the long standing industry demand of rationalisation in excise duties in the man-made fibre (MMF) segment and reduced duties from 16 per cent to 8 per cent.

Import duties on various raw materials and intermediaries in the segment like PTA, MEG etc have also been reduced from 15 per cent to 10 per cent, while Paraxylene will attract an import duty of only 2 per cent.

The budget has also increased allocation of funds under the technology upgradation fund scheme (TUFS) from Rs 435 crore to Rs 535 crore. Similarly Rs 189 crore has been allocated for the newly launched Scheme for Integrated Textile Parks (SITP) and Rs 185 crore for the handloom sector.

The finance minister has also mooted a scheme on the lines of TUFS for the handloom sector.

Peak Customs Duty for select textile machinery has been brought down from 15 per cent to 10 per cent to tackle the problem of shortfall in machinery supply which hampers the pace of modernisation.

Though the move has been welcomed, it falls short of industry expectations of a reduction to 5 per cent.

The industry is buoyant by the rationalisation of tax regime for the man-made fibre segment which was losing its competitiveness vis-a-vis cotton in the post MFA scenario.

"The duty cut will give a major boost to the synthetic spinning segment and also stop accumulation of unutilised CENVAT. Besides the reduction in import duty on raw material will reduce input costs and the industry will have better competitive edge," said Rajasthan Spinning and Weaving Mills joint MD Riju Jhunjunwala.

The duty cut in MMF segment is also expected to boost exports in a big way. The global market continues to be dominated by fibres like polyester which account for almost 70 per cent of the market.

"We will pass on the benefit of the duty cut to the consumers which will make synthetic fibre and yarns more economical," said Indo Rama Synthetics CMD O. P. Lohia.