



PROPOSALS

• Import duty on polyester and polyester intermediates reduced, Provision for Technology Upgradation Fund (TUF) raised

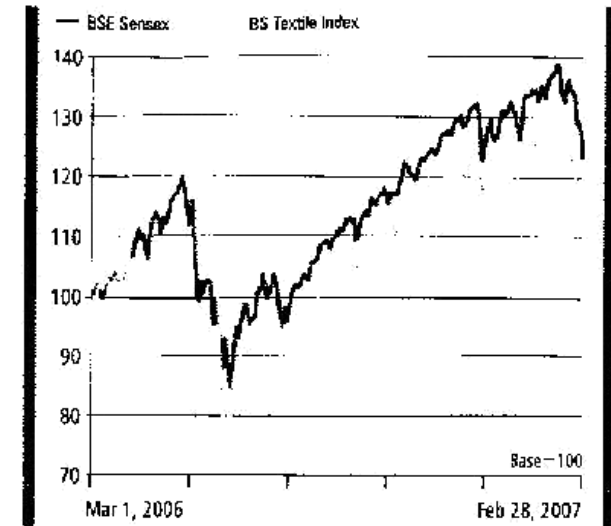
IMPACT

• Demand for synthetic yarn and fabrics to rise, Textile parks will benefit garment manufacturers

TEXTILES

	2005-06	2004-05	2003-04	2002-03	2001-02
NET SALES (RS CRORE)	40622.83	37926.32	34264.52	32386.54	29688.61
Net Profit (Rs Crore)	1985.70	1806.58	910.17	216.09	-739.56
Excise (% of Gross Sales)	4.52	6.15	7.80	8.01	7.79
TAX (% OF PBT)	25.31	18.30	33.51	63.15	-
Imports (% of RM)	30.24	27.49	22.66	20.23	22.47

The customs duty reduction from 10 per cent to 7.5 per cent on PTA, DMT and MEG will make input costs cheaper for yarn manufacturers though this will be neutralised by the same changes in customs duty on final products-polyester yarn and fibre. However, both measures will benefit fabric manufacturers (users of yarn). The increase in the provision for Technology Upgradation Fund from Rs 535 crore to Rs 911 crore will keep investments in textile sector buoyant. A larger provision for integrated textile parks will help the unorganised sector to move up the value chain. Overall, the impact of the budgetary measures is marginally positive for the sector.



“Increased allocation to textile integrated parks will boost the set up of additional capacities to cater to the growing domestic market and export.”

Gautam Singhania,
CMD, Raymond

Alok Industries

NET SALES Rs 1400.15 crore
NET PROFIT Rs 109.21 crore

Pre-Budget price (Rs) 61.0
Post-Budget price (Rs) 61.1
Variation (%) 0.16

APPARELS AND HOME textiles major Alok Industries is expected to benefit directly from the reduction in duty on polyester fibre and yarn and indirectly from the reduction in duty on PTA and MEG. It should see higher demand from the domestic market. After building

up capacities for garments, fabric and home textiles, the company has gradually moved up the value chain by acquiring companies in the abroad and foraying in the domestic retail market.

Indo Rama

NET SALES Rs 1909.4 crore
NET PROFIT Rs 51.83 crore

Pre-Budget price (Rs) 53.05
Post-Budget price (Rs) 52.95
Variation (%) -0.19

THE REDUCTION IN import duty on PTA and MEG will ease raw material costs. Moreover, demand for PSI and PFY should improve because of lower prices on account of falling duties. However, the margins at Indo Rama are unlikely to improve because though raw ma-

terials are expected to get cheaper, the final product prices are also expected to be competitive.

Lakshmi Machine Works

NET SALES Rs 1302.06 crore
NET PROFIT Rs 148.07 crore

Pre-Budget price (Rs) 3082.15
Post-Budget price (Rs) 3010.75
Variation (%) -2.32

LAKSHMI MACHINE WORKS is the largest manufacturer of textile machinery in the country and the world's largest producer of ring frames. The budgetary measure of extension of the Technology Upgradation Fund scheme followed by higher allocation of funds is expected to boost the demand for the company's products. The booming investment in the Indian textile industry is helping the company to report robust results every quarter.

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JBF Industries

NET SALES Rs 722.18 crore
NET PROFIT Rs 42.92 crore

Pre-Budget price (Rs) 111.1
Post-Budget price (Rs) 108.7
Variation (%) -2.16

THE COMPANY WILL gain from the lower duty on PTA and MEG. Like Indo Rama, demand for JBF Industries is also likely to improve given lower final product prices, though margins will remain at about the same levels. However, it will have a limited impact as PFY

forms half its revenues unlike in the case of Indo Rama which derives the majority of its revenues from polyester.