

A few stitches, but not tailored for growth

Aid For Exporters; Man-Made Fibre Duty Hike Hurts

THE \$55-BILLION INDIAN TEXTILES SECTOR surely had high expectations from Pranab Mukherjee after one million layoffs and partial shutdowns of mills across the country. But the FM did little to salvage the sector. All he did was to make life a tad simpler for the exporters. The industry was hoping for restoration of an additional 2% interest relief to take it to the September 2008 levels of 4%. But, it could only get a six-month extension on the existing scheme to March 2010.

The chairman of the Rs 3,000-crore Vardhman Group, SP Oswal, went on to say that the industry has been left untouched this year. So, was it really a no-show Budget for the textiles sector? Not really. But certainly an opportunity missed to lift this export-oriented and labour-intensive sector out of its current crisis, according to the Confederation of Indian Textile Industry chairperson, RK Dalmia.

While the reintroduction of 4% optional excise duty on cotton textiles would benefit the domestic industry, the hike in duty from 4% to 8% on man-made fibres (MMFs) will further increase the disparity between natural fibres and MMFs, reducing the latter's profitability. Also, the much-hoped announcement of a national fibre policy will have to wait.

"The proposals are a mixed bag of positives and negatives, but don't have the potential to bring the industry back on track, neither in terms of growth in production nor in exports," he said. As for the positives, the substantial increase in allocation for Technology Upgradation Fund Scheme from Rs 1,090 crore last fiscal to Rs 3,140 crore in 2009-10, would help clear the backlog of central assistance, he said.

The FM increased allocation for integrated textile parks and announced handloom clusters each in West Bengal and Tamil Nadu and one powerloom cluster in Rajasthan. The Budget also announced mega clusters for carpets at Srinagar and Mirzapur, Uttar Pradesh. However, according to Mr Dalmia, the benefit of these measures would take a while to materialise.

Surat, the MMF capital of the country, lost 3 lakh labour in 2008-09 owing to volatile crude prices in early 2008. Indian Spinners' Association president VK Ladia said the decision to increase the excise duty on MMFs is the "last nail in the coffin". Indo Rama Synthetics (India) CMD OP Lohia added that India would fail to increase its textile and clothing exports if MMF manufacturing isn't encouraged.

"Forget increasing the share of MMF in the export

SMALL HOLES



FACT FILE

- The sector employs 35 m people directly and indirectly
- The sector has lost 1m workers ever since cotton prices played havoc
- Apparel export sector, which employs 39 lakh workers directly and another 31 lakh workers indirectly, retrenched five lakh people during the crisis



KEY CONCERNS

- High dependence on cotton, which saw over 40% hike in minimum support price
- Overdependence on the US and EU markets has hit textiles & clothing exports in 2008, while S-E Asian peers performed well due to govt intervention

basket from current 15% to 50% as in case of China, I don't see new investors coming in the segment owing to such deterrent steps by the government," he said.

For apparel exporters, the increased allocation (148% rise) of Rs 124 crore under the market development assistance (MDA) is expected to provide minimal impetus. While the Apparel Export Promotion Council (AEPC) has identified non-traditional markets of Japan, Russia, China, Turkey, South Africa, Brazil, Argentina, to decrease dependence on the US and EU and double the share of these markets from current 12-15% over the next five years, apparel exporters would get peanuts. "There are no provisions for SMEs at all and as against our demand to allocate Rs 500 crore under MDA for apparel, we will get peanuts for the purpose," AEPC chairperson Rakesh Vaid said. The Budget made no provision to make Indian exporters competitive vis-à-vis China, Cambodia, Bangladesh and Indonesia. Tirupur Exporters' Association president A Sakthivel too felt that allocation under MDA needed to be increased.

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(WITH INPUTS FROM GULVEEN AULAKH)