

Man-made textiles sector finds passing on excise hike tough

Reliance, Indorama Synthetics, Grasim among others to be impacted

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Mumbai, 7 July

The hike in the excise duty from 4 per cent to 8 per cent on man-made fibre and yarn, and on several other inputs for synthetic textiles, may push the industry's back against the wall. Despite the hike in duties, the industry is not finding itself in a comfortable situation to pass on the costs to end consumers amid slowdown in the economy.

Reliance Industries, Indorama Synthetics, Bombay Rayon, Grasim Industries among others are the major textile firms operating in the synthetic textiles sector which are likely to be impacted by the government's recent move.

O P Lohia, managing director, Indorama Synthetics, told Business Standard, "It is hard to understand the logic behind the government's move to hike the excise duty on man-made fibre. Though it is difficult to pass on the prices to the end-consumers as market is resistant to a price rise, we will try to pass on the increased costs gradually."

Against the global apparel trade in which synthetic textiles make up around 65-70 per cent, Indian exports of synthetic textiles is around 20-25 per cent as cotton continues to be the dominant segment in the domestic textiles industry.

The tough competition, overcapacity and demand slowdown have put the companies



in a dilemma over the price hike. A R Mundra, executive director (finance), Bombay Rayon Fashions, said, "The companies will try to pass on the burden, but it's difficult. Nobody is buying though capacities exist." Lohia added that at a time when crude oil prices had risen in the last few days, it would not be a smooth sail for the industry.

The general feeling in the market is that customers may not be able to digest the additional burden. Jaykishan Pathak, president, the Bombay Yarn Merchants Association, said, "Since, spinners, particularly the mainline spinners have not passed on the benefits of the last excise cut, this time the situation is such that they will have to absorb the hike as production capacity of partially-oriented yarn is rising and looking at the demand which is subdued in the local market even if spinners hike prices it will be difficult to digest the hike."

R L Toshniwal, managing director, Banswara Syntex, said, "The nominal profits made in the blended yarn sector will be wiped out due to the excise hike as passing it on may not be easy." Reports suggest that spinners based in south India have hiked prices by Rs 2.50 a kg on polyester-blended cotton, which is a 1.5 per cent hike as producers are taking no chances to pass on the burden before studying the market's cost absorption ability.