

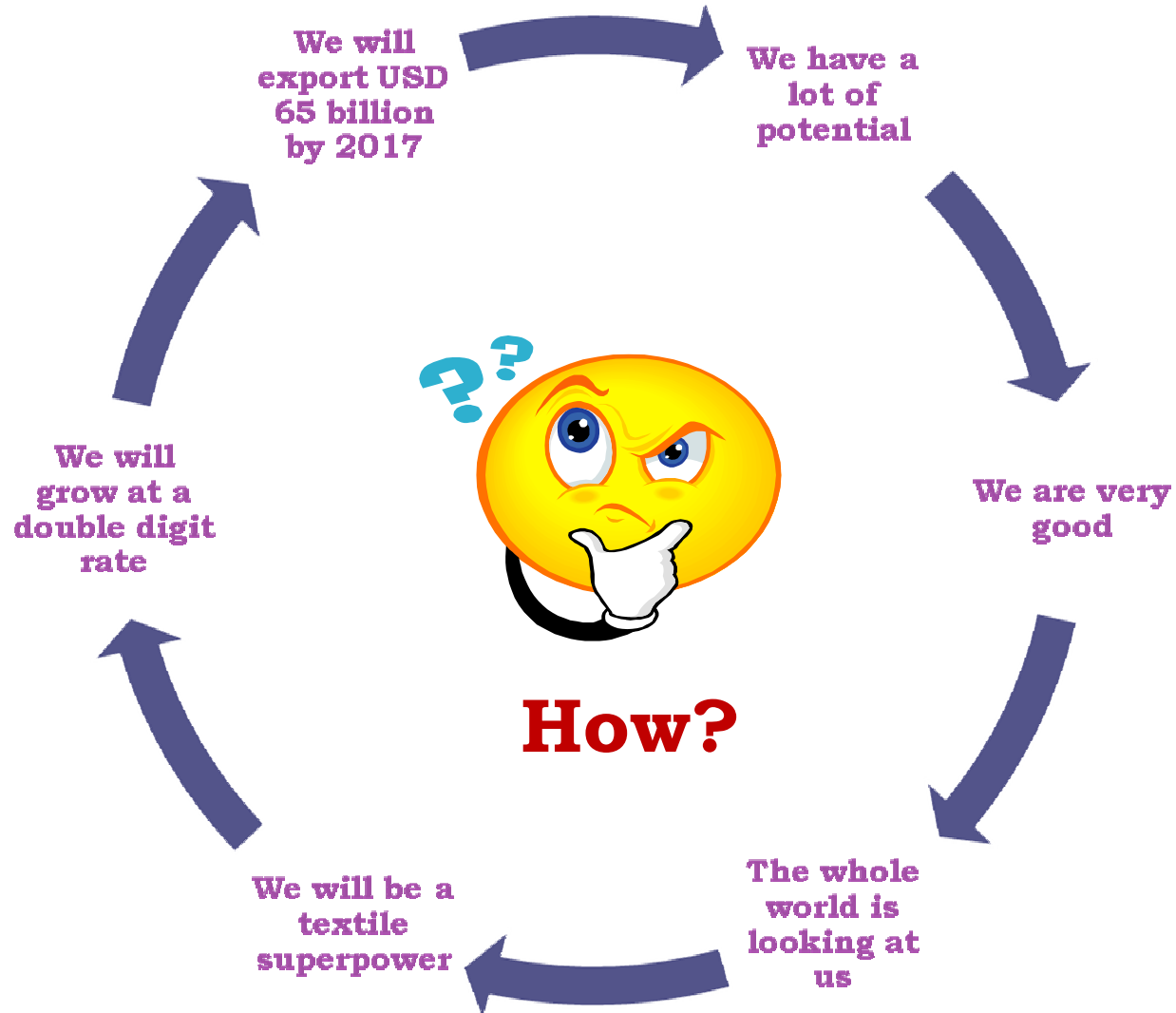


INDIAN TEXTILE INDUSTRY

- Today & Tomorrow



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INDIA HAS BEEN THREATENING TO BE A SUPER POWER ?



What have we done ?

EXPORTS

- At USD 34 billion in 2011-12 against target of USD 50 billion by 2012
- Share of fiber in exports have gone up by 4.4% to 10.6% - shifting from value added to raw materials in last 5 years

PRODUCTION

- CAGR of production in kgs of yarn is 5.6% and fabric is 4.4% (2004-11) with negative growth in 2011-12.
- Estimated industry size is USD 95 million (Rs 5 lac crores in 2012)

WORLD SHARE

- Our share of world T&C trade has just gone up from 3.4% to 3.9% despite MFA dismantling

TEXTILE MACHINERY

- 8000 crores
- 4% CAGR in 2007-2012
- 7% CAGR of imports in 2007-2012



Our goals...

Textile Industry

- Expected textile industry size (2017): **USD 150bn (Rs. 8 lakh crores)**
- Expected CAGR : 9.5%
- Would need about **Rs. 1.4 lakh crores** of investment

Textile Machinery

- Planned CAGR of 16% (from Rs **8000 crs to Rs. 14300cr** in 12th 5 yr plan)



How Do We Attain Our Goals?





Raw material

- **Cotton fibre**
 - ✓ One of the lowest rates globally – main advantage
 - ✓ Surplus cotton available to industry
 - × No clear fibre policy on exports and stock-use ratio
 - × Cost of landed cotton is high than competing countries in many cases
- **Man-made fiber**
 - × Basic raw material not there in country
 - × No support from Government to get imported fiber at competitive rates – high import duty/anti-dumping measures



Capital

■ Debt

- × Project loan interest rate have gone up by 25% in one yr
- × Working capital interest rates have gone up from 7% to 11% i.e. 50% as interest subvention also removed
- × Our interest rates are much higher than rates in USD/Euro
- ✓ TUF/State subsidy makes rates reasonable

■ Equity

- × Textile companies are getting valued at a P/E of 3 to 6
- × No one is interested in investing in textile industry
- × Insufficient profits makes internal accruals availability limited



Labour

- ✓ This is one of our stated competitive advantages
 - × Wages have doubled in last 3 – 4 years, rising faster than our inflation rate – our minimum wages are double of Bangladesh
 - × Productivity and skill development is not improving much, hence effective labour cost is going up
 - × Availability is a big issue due to N2 impact, almost everyone is complaining of lower capacity utilisation
 - × Premium for migration has gone up
 - × Rigid labour laws further adds to cost



Power

- × Rates in India are much higher than many other countries – our average cost is 10 to 12 cents
- × Diesel prices are going up making DG sets usage on regular basis unviable
- × Self generation is not a viable option for small/medium units
- × Availability is also an issue, and shortage is expected to stay for a few years at least



Technology

- ✓ We have world class ginning and spinning mfgs
- ✓ Good testing equipment producers
- ✓ Good synthetic machinery mfgs
- ✓ Good weaving preparatory mfgs
- ✓ Certain types of processing machines available
- × We lack top class mfgs of knitting, weaving, processing and garmenting machines
- × China has a large and strong textile machinery base
- × 50% requirement is imported



Market access

- × We are not part of major trading bloc which comprise of our main markets
- × Our competitors have preferential access to developed markets
- × We are just full members of SAARC, which is acting to our disadvantage as all members are low cost producers
- × Anti dumping duty in our main products like cotton yarn gets initiated first on us



Government policies

- ✓ Interest/Capital subsidy available in a big way
- ✓ Many States are coming with Textile Policy
- × No consistency – hence no planning possible
 - × TUF was suspended abruptly in May 2010
 - × Export incentives withdrawn on yarn abruptly in April 2010
 - × Yarn exports suspended abruptly in December 2010
 - × No clear fibre policy in place, hence across the year various segments keep lobbying
- × Tax refunds are inadequate putting us at a disadvantage
 - State levies are not refunded
- × SITP approvals delayed



Some areas to work on..

- Ginning – need development for contamination free cotton
- Spinning – autoconers, open end & air jet spinning
- Need state of the art machinery in knitting/weaving/processing/garmenting
- Focus on power & labour saving
 - ✓ Inflationary pressure
 - ✓ Capital is subsidised
- Enter into JVs with leading international mfgs
- Invest in R & D



Some ideas...

- Need to be proactive enablers of investment, rather than passive supporters
 - ✓ Tap the unorganised and SME sector for new/modernisation
 - ✓ Create TUF consultants in major clusters to assist SME
 - ✓ Create awareness in clusters for Central/State Policies to incentivise investment

- Government support
 - ✓ Focus on SAARC region as a market to get better volumes
 - negotiate preferential access to these markets
 - ✓ Rationalise tax structure to incentivise domestic industry
 - ✓ Encourage R & D and cluster formation

Thank You

