FICCI MOOTS "20-15" POLICY FOR INDIAN TEXTILES & CLOTHING INDUSTRY

POLICY AIMS AT DOUBLING INDIA'S SHARE IN TEXTILES TRADE BY 2015

POLICY TO TARGET 20% SHARE OF BRANDED TEXTILES IN EXPORTS: FICCI

INCREASE PER CAPITA FIBRE CONSUMPTION TO 10 KG: FICCI

FICCI Demands Continuation of Stimulus Package for Textiles in 2010

India's Textile Exports To US Lowest in November 2009 in the Year

Make Adequate Allocation Under TUFS: FICCI TO GOVERNMENT

30 January 2010, New Delhi: Recognising the need to turnaround the Indian Textiles and Clothing Industry, FICCI today suggested a five year policy to revitalise and restructure Indian textiles industry. The Policy **"Indian Textiles & Clothing Industry : 2015"** aims to neutralise the impact of economic crisis on Indian textiles industry; diversify our export and domestic market; encourage consolidation of SME enterprises; encourage maximum value addition in the country; deepening fibre consumption of India; building of 20 global brands of India; promote manufacturing of high-tech fibres and technical textiles; encouraging energy efficient and emission reduction technologies; increased indigenisation of textile equipments and increased technological support, FICCI said. The need for such a new policy arises in the wake of changing global economic scenario in which a number of countries like Vietnam, Bangladesh, Pakistan, Turkey etc are giving fierce competition to Indian textiles and also to provide inherent strength to the industry, FICCI pointed-out. Also, some of these countries have introduced ambitious textiles policies last year only. FICCI said that there is a need to infuse confidence, through policy, in the industry which has suffered the most because of economic crisis and rupee appreciation in the past.

The policy, FICCI said, targets steady growth of 15% per annum of domestic textile industry and 20% per annum growth in our exports for the next five years in order to enable us to double our share in world textiles and clothing exports (Hence the name '20-15' for the policy). FICCI noted that if we are able to achieve 20% growth in our textiles exports per annum and 15% growth per annum in domestic production then our domestic textile market size would be $ 106 billion by 2015 and exports would be around $ 66 billion. Given the long term growth of 7% in world trade in textiles, India's share would be around 6.6% in 2015 at a growth of 20% per annum, which would be almost double of India's current share of 3.4%. FICCI said that the Indian textiles sector's growth has been lagging behind the growth of the manufacturing sector as a whole. In the last six years the average growth of the manufacturing sector was 8.3% whereas that of textiles sector was only 5.3%. During April-November 2009, while the manufacturing sector registered a growth of 7.7%, the textiles sector grew by only 5.8% (see table at the end of press release).

Table: Textiles & Clothing Exports

Year	**World Exports of Textiles & Clothing (@ long term projected average growth of 7% per annum)**	**India's Exports of Textiles & Clothing (@ targeted average growth of 20% per annum)**	**Share of India (%)**
2008	$612 billion	$21 billion	3.4
2015	$996 billion	$66 billion	6.6

Elaborating the main components of "20-15 Policy", FICCI said that the growth of garment sector, which has maximum scope for value addition, is today hampered because of number of constraints. FICCI noted that despite the fact that in India the total production cost of ring-spinning and knitting and weaving of ring yarn fabrics are the lowest in the world, India does not have a significant share in value added garments in global trade (only 3%). The suggested policy, according to FICCI, should focus on making India a manufacturing hub of value added garments and ensure that country is able to cultivate 20 internationally famous brands. The aim of the policy would be to achieve 15 to 20% share of these branded items in our exports in next five years, FICCI said.

On fibre consumption, FICCI said that there is need to deepen our fibre consumption which remains very low. Today, the average world per capita fibre consumption is around 10.8 kg and that of India is around 5 to 6 kg only. Whereas, FICCI noted that per capita fibre consumption in China is 14.6 kg, in North America it is 38 kg and in Thailand it is 19.8 kg. Within this, our per capita consumption of man-made fibre remains very low at around 2 kg compared to

12 kg in China and 11 kg in EU, FICCI observed. The policy should try to achieve higher fibre consumption by increasing domestic textile demand, expanding reach in rural areas and exploring new products, FICCI pointed-out. The target should be to at least double the fibre consumption in next five years.

Another main task of this policy would be to align the fibre consumption ratio (ratio of man-made fibre to natural fibre in consumption) of India, which is currently around 40:60, to the world norms (60:40), FICCI stated. Emphasising the need for this, FICCI said that globally market share of cotton decreased from 62.4% in 1960s to 39.5% in 2008. Most of the decline in consumption of cotton occurred in developing countries where the market share of cotton fell from 60% in early 1980s to 35% in 2008. However, in India the market share of cotton has come down from 69% in 1996 to 62% in 2008. FICCI said that in India this ratio is almost the reverse of the world ratio. Long term projections indicate that consumption of other fibres is projected to grow faster than cotton consumption and market share of cotton is expected to decline to 30.5% in 2020, FICCI observed. In this context, FICCI said that it is important to adjust our policies so as to increase the consumption of man-made fibres in the country.

Also, the policy should try to achieve maximum consolidation of small and medium enterprises in the textiles and garment sector so that country can reap the benefits of economies of scale in the global supply chain, FICCI emphasised. Currently, the domestic industry is dominated by small and medium enterprises and a number of them in the unorganised sector. Consolidation will help the industry in realising its true potential, FICCI said. Another important aspect of the policy would be to achieve greater energy efficiency and emission reduction in textile industry. For this, industry would require greater technological support to achieve lower emission and higher energy efficiency targets and to eliminate out dated technologies.

Further, FICCI said that the policy should also aim at indigenisation of high technology textile equipments. Currently, industry is dependent largely on imports of machinery and equipments. Government needs to provide technological support and enhance innovation efforts to encourage domestic production of equipments and machinery.

In order to neutralise the impact of economic crisis on textile sector, the policy should continue some of the policy measures provided so as to maintain steady growth of textiles sector in the long run, added FICCI.

FICCI ON STIMULUS PACKAGE & FISCAL MEASURES FOR TEXTILES INDUSTRY

Concerned over the fragile recovery in textiles sector and apprehensive of the impact of Rupee appreciation in 2010, FICCI has demanded continuation of Stimulus Package for textiles industry for the year 2010. FICCI said that India's exports to US were lowest in the month of November in the year 2009. Retail sales of clothing & clothing accessories in US were $17.6 billion in October 2009, $17.5 billion in November 2009 and $17.4 billion in December 2009 indicating that demand for textiles and garment in US remain subdued. US accounts for around 25% of India's textiles exports and is the largest destination of India's textiles exports country-wise. In addition to other measures, FICCI wants that the Government should extend the interest subvention of 2% provided to textiles sector for another year beyond 31st March 2010 and the reduced excise duty of 8% (previously 10%) on textile machinery should also continue.

Table : US Textiles & Clothing Imports Month-Wise (2009)

Month	From World ($ bn)	From India ($ mn)
January	6.9	433
February	6	411
March	5.9	450
April	5.8	403
May	6	379
June	6.6	351
July	7.7	378
August	7.5	364
September	7.7	379
October	7.6	355
November	6.2	325

Besides continuation of stimulus measures, FICCI has sought extensive concessions from the Ministry of Finance for the captive generation of power by textile producers in view of the problems faced by industry due to erratic power supply. FICCI has submitted that excise duty on Liquid Fuels extensively used by textile manufacturing units for running their gensets for augmenting their power requirements, should be brought down from 14% to 4% and in addition service tax paid by textile units for erection and commissioning as well as on repairs and maintenance of wind mills may be treated as tax paid on "input services" under Cenvat Credit Rules and should be given credit for such service tax.

Further, FICCI has urged the Government to provide reduced rate of interest for Dollar credit at LIBOR plus 1% (currently, it is provided at LIBOR plus 3.5%); reduce Custom duty on Titanium Dioxide (TIO2) and Spin Finish oil from the 10% and 7.5% respectively to 5% as currently these items are being 100% imported and are proprietary items of technology and machinery suppliers; exemption of all export related services from payment of service taxes instead of refunds as is the practice currently; and working capital for purchase of cotton may be provided to mills at 7 percent interest rate, and against 10 percent margin money (currently at 25%) and for a period of 9 months (currently 3-4 months).

With regard to TUFS (Technology Upgradation Fund Scheme), FICCI said that technical textiles alone may require Rs 300 crore in the year 2010-11 under TUFS. So far only Rs 37 crore has been consumed under TUFS by the technical textiles sector. But given the interest shown by investors (both domestic and foreign) and keeping in mind the fact that demand for technical textile products is likely to grow fast (11% per annum) in the coming years adequate allocation under TUFS is required to facilitate investments in this sector. The Government should therefore, FICCI emphasised, provide for a total allocation of Rs 3300 crore for the year 2010 in addition to any amount that may have to be reserved for the North Eastern Region. Another Rs.2000 crore should be made for TUFS in the Revised Estimates for the current year (2009-10).

FICCI is also apprehensive of the impact of Rupee appreciation on textiles industry. Further monetary tightening by the Government in months to come could result in rupee appreciation thereby affecting the troubled sector further. Rupee has appreciated by over 7% since April 2009 and in the past textiles industry had suffered significantly due to Rupee appreciation, observed FICCI. In 2007-08 when Rupee appreciated steeply, the growth rate of textiles had come down from around 11% in 2006-07 to 6%, noted FICCI. Elaborating further on India's textiles exports, FICCI pointed-out that during April- September 2009, India's total textiles exports plunged by 14.7% compared to the same period last year. The US textiles and clothing imports from the world have fallen by 14.4% during January-November 2009 compared to the same period last year. Although, India's textiles & clothing exports to US have fallen at a lower rate (11.7%) than the global textiles import of US, but the fall is steep when compared to Pakistan, China, Vietnam and Bangladesh whose textiles exports fell by 10.8%, 5.4%, 2.2% and 0.25% respectively during January-November 2009. In EU, FICCI noted that during January-July 2009 India's textiles Exports to EU27 had fallen by 17.4%. Whereas, textiles exports of China and Pakistan to EU27 fell at a relatively lower rate of 10.8% and 9.2% respectively. During January-July 2009, clothing exports of India to EU27 grew by 8.1% but clothing exports of China increased by 12.3%, that of Sri Lanka increased by 12.4% and of Bangladesh increased by a whopping 18.4% during the same period.

FICCI observed that share of textiles sector in total exports of India has been falling since 2005-06. In 2005-06, textiles exports constituted 16.4% of India's total exports but by 2008-09, the sector's share has fallen down to 11% of India's total exports. In such a scenario it would be premature to withdraw the stimulus measures and the forthcoming budget should not withdraw any export related and excise duty concessions given to textiles industry as a part of stimulus package of the Government, FICCI emphasised.

Table : Growth rate of Manufacturing and Textile Sector in India

Year	Growth rate of Manufacturing (%)	Growth rate of Textiles (%)
2003-04	7.4	-1.1
2004-05	9.1	9.3
2005-06	9.1	8.2
2006-07	12.5	10.9
2007-08	9.0	5.8
2008-09	3.2	-1.2
2009-10 (April-November)	7.7	5.8

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