

Achhe din kab ayenge ?

- Sanjay K Jain, MD T T Ltd , VP NITMA & FOHMA

I remember a presentation I made in China last June, where I proudly claimed that Indian Textile Industry would be well off even with less purchase of cotton and yarn by China. We all were buzz with optimism and were ranting the indian consumption story.

Just 15 months down the line, the whole industry is crying and complaining. You keep reading articles and press notes of strikes, shut downs, sell offs etc etc. The only silver lining has been the optimism in the stock market about the future of the industry, where most stocks have seen considerable rise – it's said they see much ahead of others !!!

Over the last 2 decades have heard India to be on the threshold to break into the global textile industry as a superpower, however we continue to grow at the Hindu rate of growth. China, Bangladesh, Vietnam etc etc came from behind and left us far behind in the race. Once again we are being talked as having a golden chance to break free and run ahead – as China due to its development getting more expensive and vacating space for others.

The question today is, will India again miss the bus ?? Are we aware of this chance and preparing ourselves or not ??

Let's see what has happened or happening in the various key segments of the industry. Some key trends/facts:

- Draft textile policy circulated a year back – still no sign of final policy
- Export incentives reduced for yarn and fabric
- TUF incentives getting delayed – fund allocation reduced in Budget
- TUF scheme is officially on, but for last 6 months no new projects are getting passed
- Heresay is that TUF scheme is going to be modified – however no one knows what will be the fate of projects which are ongoing and who have not got TUF sanction
- Incremental export incentives denied by Government, despite being announced
- Retrospective amendments made in Incremental Export Incentive Policy to restrict benefit to Industry
- Imports of textiles of manmade fibre base increasing from China, Indonesia etc
- Anti dumping duties continue for certain fibres
- Consumer demand is very weak – the complete textile industry claiming domestic demand to be the weakest in last many years (surprisingly despite inflation moderating)
- Aggressive State incentives leading to expansions in segments where India is already surplus – another story of lopsided development due to ill conceived policies
- Banks are wary to fund textile projects and are burdened with NPAs from the industry
- Textile industry has been identified as one of the stress sectors by Banks and Government
- China, Taiwanese fabrics have found a duty free route through garments made in Bangladesh (duty free access has been granted to it)

- FTAs have hardly helped us, the European one could be a game changer but certain other industry lobbies are not letting it see the light of the day. On the other hand our competitors like Bangladesh, Vietnam, Pakistan, Sri Lanka, Mynammar, Cambodia, African nations are getting access through various treaties with Europe/USA/China.
- FDI is negligible, as Vietnam, Bangladesh, Cambodia, Mynammar are preferred destinations – now even African countries like Ethopia, Nigeria, Kenya are pitching hard.

Its looks like a long list of negatives, however there are positives also:

- Government is very focussed on Skill Development and work is going on in full flow for skilling our workforce.
- Labour laws are being reviewed and positive amendments are expected to make them relevant to TODAY (however need to see how much the Govt succeeds in this)
- Valuations of Textile Companies have increased, but fund raising hasn't happened yet.

Its important to understand why we feel the country has potential to be a textile superpower and why the Government should make it a key focus area. Some of the reasons are:

- Largest industry employer, and has the potential to provide large scale skilled employment to the unemployed workforce of the country with just 3 months of training.
- Entire range of fibres are available in India.
- India has a huge potential of domestic consumption increasing due to population and growing incomes.
- Provides huge self employment to entrepreneurs
- Has surplus raw cotton and cotton yarn on which the garment industry can grow competitively
- Industry is dispersed across the country and can play a major role in balanced development and inclusive growth.
- China wage rates are double that of India and as it moves us the development curve, textiles is losing its importance. Other Asian nations don't have the infrastructure, raw material base and population to fill up the huge share which China would vacate in the global textiles markets.
- We are like China moving up the development curve, probably its our last big chance to use our strengths and create a larger pie for ourselves.

Its now or never for the textile industry to leapfrog. The basic reasons are compelling, however unless we get our act together immediately we shall once again miss the bus. A unified approach is required from the Niti Aayog, Textile/Commerce/Finance/Labour/Agricultural Ministries under the guidance of PMO Office and the various segments of the industry to come up with a blueprint to capitalise on this golden opportunity available for the Industry. Just setting targets wont help, unless its backed by will and action – which is sadly lacking today.

It's a pity that today 90% of the industry is feeling down and out – the willingness to expand and grow isnt there, on the contrary we are talking of survival plans. The single biggest reason for most investment plans are Incentives rather than fundamentals.