61st Annual General Meeting **19.7.2018**

Good Morning

It gives me a great pleasure to welcome you all on behalf of my colleagues and me to NITMA's 61st Annual General Meeting. I am happy to see the presence of our many members here. It shows your keen interest and involvement in various programmes and activities of NITMA. I am grateful to every one of you for your valuable contribution towards its growth.

Since the complete details of the association activities have been given in the annual report, I am glad to invite you all to start meaningful discussion on the textile industry scenario and the various challenges, both internal and external to improve the competitiveness and explore new opportunities.

We have among us, experienced and eminent members and have paved their way thru' many challenging times. I am therefore going to cut short my speech and give time for discussion.

The new government at the centre has completed four years .During the current year, we have seen significant changes in the political and economic situation of our country. The industry has new challenges and opportunities in a changed scenario.

Make in India:

India's textile sector, covering everything from fibre to garments, has the second-largest employment after agriculture, employing an estimated 45 million workers. It has the potential to double this employment in the next seven years as per the vision document of the union textiles ministry. It is a sector which not only provides livelihoods to millions of households, but is a storehouse of traditional skills, heritage, and a carrier of heritage and culture.

The vision of "Make in India" can be realised very quickly in the Textile Industry, as India has become the most competitive country in the manufacture of cotton textiles.

PM has been emphasizing the importance of strengthening the manufacturing sector in India, with his "Make in India," initiative. Textiles is an important sector in the manufacturing industry.

Government unveiled a special assistance package to support employment in the textiles sector and boost garment exports followed by similar package for made-ups.

Mrs. Smriti Zubin Irani, after taking charge as the Cabinet minister for textiles and taking the leadership role, Minister Irani expressed her interest to bring more youngsters into the textiles field and strengthen Prime Minister's Make in India initiative by scaling-up textile manufacturing in India and enhance its exports.

It is a sector dotted with small and medium enterprises, which make up 80% of the units. It is ideally positioned to be a poster child for Make in India.

The other initiatives will further assist and support to attract new investment opportunities in entire value chain in Cotton Textile, Synthetics, Textile speciality fabrics, Fabric processing set-ups for all kind of natural and synthetic textiles, Technical textiles, Garments and Retail brands.

Raw material: Cotton

The closing stock of cotton for 2017-18 would be around 49.81 lakh bales which is quite adequate for the textile sector to smoothly run their units throughout the year.

The Cotton Association of India (CAI) in second week of June increased it's May estimate of the cotton crop production by 5 lakh bales to 365 lakh bales for 2017-18 season (October to September).

The Confederation ofIndian Textile Industry (CITI) explains that cotton production is estimated to grow by 8.11 per cent to 373 lakh bales in 2017-18 season ending September over the previous year. It said that the production is projected to expand on account of 13 percent increase in cotton crop area to 122.59 lakh hectares from 108.45 lakh hectares. High prices of cotton domestically and internationally would further force the consumption to either remain stagnant or slightly on the lower side, he opined. Hence, consumption figures should not exceed beyond 316 lakh bales, including the non-mill consumption of 19 lakh bales.

Rainfall during July and August are crucial for Indian agriculture. Hence, we will have to wait until the end of August before making any firm assessment on agricultural output this kharif season.

Data compiled by the Cotton Advisory Board (CAB) under the Ministry of Textiles showed India's cotton yield at a record high last year at 568 kgs per ha compared to 484 kgs per ha for the previous year due to favorable climatic condition.

India is the world's largest producer of jute, second largest producer of silk and cotton, and the third largest of cellulosic fiber. While India has a rich mix of synthetic and natural fibres and yarns, including cotton, jute, silk, polyester and viscose, it remains a cotton focused country. The presence of cotton in fibre, yarn, fabric and garments is close to 70% of usage within India, which is also reflected in exports. Only 30% is from synthetics and man-made fibres. The global trend is exactly the obverse, i.e. 70% consists of man-made fibres. So India's domestic and export mix is the opposite of global fashion and demand trends.

Man-made fibres:

We wish to express our gratitude to the Government of India for reducing the GST rate from 18% to 12% on Polyester Filament & Yarns. This step will revive the downstream industry which is extremely fragmented both in terms of size and the downstream process. However, the woes of Synthetic yarn manufacturers are far from over. The manufacturers of Polyester Filament & Yarns are now facing difficulties due to inverted duty structure. The tax rate on key raw materials is higher at 18%, whereas the finished product is taxed at 12%. The value addition margin is not enough leading to unabsorbed tax credit. Further, from yarn to fabric, another unabsorbed tax accumulated at fabric manufacturers' end where the GST rate is 5%.

Some of the manufacturers are expanding their capacity and / or adding capital equipment for value added products. Many of the equipment are imported and is subjected to a tax rate of 18%. This is also adding to the burden of unabsorbed tax. This anomaly is causing a tremendous pressure on the working capital. This would have got nullified if inverted duty structure was corrected.

Down stream:

We are all in the midst of trying times as we seek to adjust to the new taxation system, await new drawback and ROSL rates, and look forward to extension of the interest subvention and MEIS to Cotton Yarn and the amendments to the Foreign Trade Policy. While the above uncertainties do add to our worries, we need to look to the future with greater hope as reports suggest that global markets are looking up.

The other big factor looming large on the sector is the overhang of excess capacity in the fibre and yarn sectors in China. That causes a downward pressure on prices and the flood of imports also remains a constant threat. With rising wages in China, the labour-intensive garment sector is perhaps moving out, and represents a great opportunity for India. But unless that is grabbed soon with a coherent and holistic national policy, we run the risk of losing to countries like Vietnam.

India accounts for roughly 14 per cent of the world's production of textile fibres and yarns. The readymade garment sector is currently the largest contributor to India's total textile and apparel exports, accounting for roughly 41 per cent. India's growth rate has been boosted by initiatives, including the garment and made ups policy and its recent establishment of 75 apparel training and design centers to improve technical skills and offer training.

Technical Textiles:

India's technical textiles industry is growing at a fast pace, with an expected compound annual growth rate of 9.6 per cent between 2014 and 2023. The vast majority of technical textiles comes from Asia-Pacific, which accounts for almost half of the global technical textiles market. China is the largest producer of both woven and nonwoven technical textiles in the region, and is currently responsible for 30 per cent of global production. A large workforce, strong domestic market and the advances it has experienced in textile technology make the country a very strong competitor in the global industry. China's leading position is followed by the Americas with 19 per cent of global production, India with 18 per cent, the EU with 16 per cent and the rest of the world with 17 per cent.

The technical textiles industry is projected to grow at 20 per cent year-on-year and the segment's potential is largely untapped in the country, a senior government official said here. "We see huge growth potential for the technical textile industry in India. With 12 segments of technical textiles and a market size of Rs 1,16,000 crore it is projected to grow 20 per cent per annum," Textile Commissioner Kavita Gupta said here. India only accounts for 3 per cent of global technical textile production. As compared to countries like Germany where technical textile contributes 50- 60 per cent, In India, this contribution is only 12 per cent, she said. After inaugurating TECHNOTEX 2018 - an International Exhibition

GST:

Until the roll-out of the goods and services tax (GST), the cotton value chain was completely free of indirect taxation. Whereas the man-made fibre suffered a dead-weight tax of 12% excise, which resulted in unutilized VAT (valued-added tax) credit in the chain. That anomaly was supposed to be removed by uniform GST treatment for the textile sector. Instead of a fibre-neutral policy, we have a dual GST structure, with 12% GST on upstream, and 5% on all downstream, leaving an inverted duty structure. In addition, the offsetting credits cannot be used to get a refund by downstream entities.

Import Duties:

Import duties are raised on a large number of textile apparels, fibres and related products such as carpets by up to 20 per cent.

Spread across 37 broad tariff areas, the import duties, however, target products for which India's imports are low.

This includes textile apparels and accessories, hosiery item and certain types of vegetable based textile fibres , among others.

Effective duty rate for most of these items have been doubled.

Import duties had been increased for an even broader set of products and goods in the textile categories back in October 2017.

Interestingly, the export of apparels, the largest chunk of exports within the textile segment, has been contracting since the same month.

Export of ready-made garments continued to drop in June, contracting by 12.34 percent, albeit lower than the 16.62 per cent fall seen in May.

TUFS:

TUFS launched by government in 1999 is perhaps the best example of policy measures to improve the competitiveness of the industry.

Concerted efforts are being made to get all the pending subsidies. NABCONS is appointed to reconcile the pending cases and are expected to submit their report soon.

To modernize the textile industry, the Amended Technology Upgradation Fund Scheme (ATUFS) was launched on January 13, 2016 with an outlay of Rs 17,820 cr for 7 years. The scheme is expected to attract further investment and generate over 30 lakh jobs.

New Textile Policy:

Artisans, weavers, handloom workers are custodians of designs and skills which they have been inheriting and bequeathing for ages. This is also a sector which is undergoing a huge churn due to automation, digital printing and the relentless rise of e-commerce. All these three developments threaten to completely change the face of this industry.

We need a national textile policy document, an articulation much like the national telecom policy of 1999, which was a game changer, and led to the upsurge of India's telecom revolution, An equally imaginative, bold and futuristic blueprint is urgently needed. The last official national textile policy is from 17 years ago. The one prior to that was in 1985. Talk of a new policy has been in the works for several years. We do have a vision document for 2024-25.

PMKVY: Pradhan Mantri Kushal Vikas Yojna

We are pleased to inform that Punjab skill development mission of Government of Punjab has empanelled us as Training Partner . It took almost an year to get the enrolment. We have also registered online with National skill development council and await for work order. Similar actions and formalities are initiated with Haryana.

Acknowledgments:

We express our sincere gratitude and thanks to all members for providing an opportunity of heading this prestigious association and for extending all the help, cooperation and support.

NITMA has taken several initiatives to improve the competitiveness of the industry. We would like to take this opportunity to express our sincere gratitude to heads of various associations, other trade & industry bodies and special invitees for supporting us.

We extend our sincere thanks to Honourable Minister of Textiles Smt. Smriti Zubin Irani and his team in the Ministry of Textiles for taking several steps and for giving us direction and guidance. It gives us new hopes and confidence that under her leadership and guidance, the industry will move forward. We are also grateful to the past and present Secretary, Joint Secretaries and other officers in the Ministry of Textiles and senior officers in the Ministries of Finance & Commerce & Industry for their help and cooperation. We would also like to use this opportunity to thank Mrs. Kavita Gupta, Our Textile Commissioner for actively taking various steps to attend including the pending TUFS settlements.

I would also like to convey my sincere thanks to Past Presidents and the present Senior Vice President Mr. Manish Bagrodia and Vice President Mr. Mukesh Tyagi for sharing my responsibilities and extending their effective help and support in discharging my duties as President, NITMA.

I am equally grateful to all my friends in the Executive Committee, Associate Members and others for their active cooperation and support. I would like to acknowledge the special efforts of all my friends in the Managing Committee of NITMA who have taken lot of personal interest to take up the issues and concerns of the members and I hope their close association with the activities of NITMA will go a long way in finding solutions to the problems.

We are thankful to office bearers and committee members in CITI ,SIMA, TMMA, PHD, FICCI, CII, ICAL, Texprocil, SRTEPC, TSC, DMA and their Chairman, Vice Chairman & SG's and other associations for their help and support. Our special thanks to statutory auditor M/s**.** THAKUR, VAIDYANATH AIYAR & CO, Chartered Accountants, for their guidance and support. We would also like to thank the media, our bankers and service providers for supporting us. We would like to place on record the work and support extended by NITMA secretariat and the Secretary General for the successful execution of several activities and handling of various issues.

Finally, we once again thank all the members for their valuable contribution and cooperation and request them for their continued support and guidance for the benefit of the industry.

Thank you.