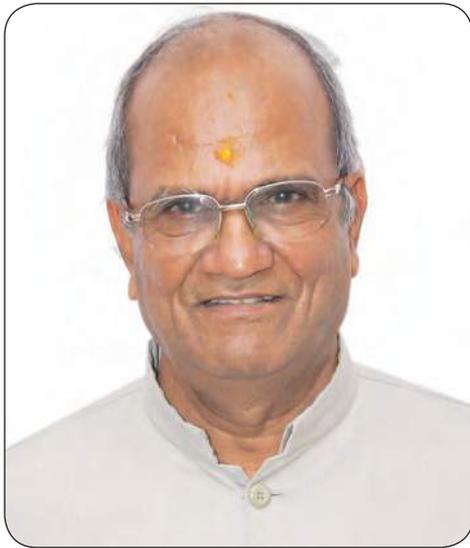


‘Time has come to grasp real issues that plague the industry’

Indian textile industry is facing numerous issues from pricing to power to lack of government initiatives and outdated technology to name a few, **Rikhab C Jain, Chairman, TT** speaks to **Shraboni Mukherjee** and throws light on some of the problems plaguing the industry and how they can be overcome.



Rikhab C Jain,
Chairman, TT

How has the industry transformed over the years.

Indian textile industry continues to transform every day. This transformation is more evident in the technological developments in production. The industry, during Mahatma Gandhi, was considered a royal industry. However, over the years, it lost its shine. Today, no one wants to invest due to low profitability. Not just farmers and traders even dealers are unhappy with the current state of the industry. Indian government is not paying as much attention to the industry as say governments of Bangladesh, Pakistan, Sri Lanka, China and even Vietnam. Industrialisation has led to the emergence of other lucrative industries like telecommunication, petrol, banking, etc which is drawing more attention than the textile industry. Additionally, the industry has the authority to only organise some events. For everything else, it has to seek permission from the finance, commerce, labor and industry ministries.

Another issue that plagues the industry is its humungous size. The industry has a large number of operators, manufacturers, retailers, farmers and traders specifically in India, China and some more countries where textile is a major sector. These countries use varied technologies making the industry



more competitive. In such a scenario, even the most inefficient unit, selling at a low price becomes a benchmark price for anything. To counter this, some state governments introduced incentive schemes for textile units. However, once the scheme ends, the unit goes bust due to unequal ratio between manufacturing costs and profitability. This has been particularly the case in spinning sector as several cotton spinning mills in Tamil Nadu had to close down as the state failed to offer incentives to mills as did Maharashtra, Gujarat and other states.

Moreover, the increase in MSP of cotton pushed up prices by around 20 per cent, however, prices of exports, garment, fabric or yarn did not increase in international markets. The government levied a zero import duty on import of edible oils like palm but is not willing to increase their prices further burdening fiber production process.

If farmers in India want to earn more they need to increase their yield per acre. They also need to adopt modern farming techniques for a better yield. Ignoring these initiatives will only burden the public. As India is now constrained by WTO rules, textile manufacturers cannot be offered any new incentives. This has reduced the number of drawbacks incentives in the last three four years. The exchange rate of the Indian rupee against the dollar reduced from Rs 71 to Rs 68. This, though reduced the drawback rates but increased MSP on cotton. This resulted in a decline of Chinese cotton and yarn imports.

Also, the government is unable to control multinational cotton traders who start cornering their crop from February-March till August. Once prices peak, they book profits at the fag end of the crop year. Indians also suffer due to artificial announcements in prices.

What other issues are plaguing the industry in India?

Another peculiar change is women nowadays have stopped wearing saris. One sari requires 6-7 yards of fabric whereas one suit including top and bottom requires only three meters. So, there is a 50 per cent decline in demand for fabric. Fabric consumption per person has reduced.

Another important issue is power shortage. Electricity is being made freely available through the state electricity boards. However,

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in the open market many companies require permission to buy electricity. State Electricity Boards impose deterrent charges to make their open market buying power equal to their way. This neutralises the objective of providing open power access to bulk consumers. Secondly the State Electricity Board's government, power generators were earlier buying solar power at Rs 18, which later reduced to Rs 12, Rs 7 and now finally to Rs 2.50. Production cost of coal based or hydel based power has also reduced, but power waste and fuel surcharge are increasing.

Some states are giving concessions to spinning mills while others are not. This creates an imbalance within the industry. Secondly cotton produced in Gujarat is sold at a much cheaper rate in Dhaka, Chittagong, Vietnam, Korea and China than the in Gujarat or Coimbatore.

The government has given exemption to companies like Reliance. If Reliance buys fresh fruits, vegetables etc, from farmers, it does not have to pay tax to the Agriculture

Market Committee. This money is then pocketed by the local politician. Therefore, the government needs to exempt cotton from market committee fee.

India has become a big industrial and economic power. However, all our sewing and knitting needles and even sewing machines are imported. We no longer manufacture basic sewing needles. Indians prefer foreign labels and are willing to pay any price for them. The textile segment, which was earlier a Swadeshi industry, is now run by foreign brands.

What are the advantages of Indian garment industry?

We hope the new government will take a fresh and realistic view of the industry. It should make the textile ministry more powerful by appointing a powerful person who will have access to the Prime Minister for getting all. Every new and old industry and every ministry needs to appoint a specialist for its development rather than just a professional. It's time we grasp the real issues that plague the industry.

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