

Budget Reaction from Indian Textile and Apparel Industry

CITI hails Union Budget 2021-22 as a strong foundation for future growth of the T&C Industry



New Delhi, Monday, February 01, 2021: Shri T. Rajkumar, Chairman, CITI, welcomed the first digital-cum-paperless Central Budget presented today morning by the Hon'ble Union Finance Minister, Smt. Nirmala Sitharaman, in the Lok Sabha House of the Parliament. He stated that the budget has given major emphasis to healthcare and infra sectors and wholeheartedly appreciated the Government for taking care of the entire economy and the citizens of India during this Covid-19 pandemic. The world over India has received accolades for its effective handling of this unprecedented health crises.

Chairman CITI welcomed the announcement of setting up of seven textile parks within three years under the scheme Mega Investment Textile Parks (MITRA). The parks will be set up over 1,000 acres of land with world class infrastructure, and plug-and-play facilities. This will create world class infrastructure with plug and play facilities to enable create global champions in textile exports. He further stated that the Production Linked Incentive (PLI) Scheme for manmade fibres and technical textiles with a total outlay of Rs.10,683 crores will also help the textile industry to become globally competitive, attract large investments and boost employment generation. Moreover, to achieve the target of \$350 billion from the current size of \$167 billion our manufacturing sector has to grow in double digits on a sustained basis. Our manufacturing companies need to become an integral part of global supply chains, possess core competence and cutting-edge technology.

Shri T. Rajkumar pointed out that that the Government well recognises the fact that our textile industry significantly contributes to the Indian economy and creates huge employment opportunities to the masses especially to the poorer sections of the society majorly covering illiterate and down-trodden women. To further enhance this scope and achieve the target of making Indian economy a \$ 5-trillion economy by 2025, reduction of customs duty on caprolactam, nylon chips and nylon fiber & yarn to 5% is step in the right direction. This will bring nylon chain on par with polyester and other man-made fibers. He also welcomed rationalization of exemption on import of duty-free items as an incentive to exporters of

garments, leather, and handicraft items. All these items are domestically produced in excellent quantity and quality by our MSMEs and help the textile industry and exports too.

At the same time, Chairman, CITI pinpointed that the levy of 10% import duty on cotton and cotton waste has come as a severe blow for the ailing cotton textiles and apparel industry. Cotton and cotton waste which is currently under nil rate of import duty is being subjected to 10% import duty through the budgetary announcement comprising of 5% Basic Customs Duty and another 5% Agriculture Infrastructure and Development Cess (AIDC) on cotton and 10% BCD on cotton waste. The new import duty comes into effect from 2nd February 2021.

CITI Chairman appealed to the Hon'ble Prime Minister to kindly consider the immediate withdrawal of the levy of 10% import duty on cotton and cotton waste to sustain the global competitiveness of Indian textiles & apparel industry and prevent job losses for several lakhs of people, prevent fall in the exports and also curb cheaper imports of value added products from the SAFTA countries like Bangladesh, Sri Lanka, etc.

Shri T. Rajkumar further stated that the levy of 10% duty will not benefit the cotton farmers as the normal import of 12 to 14 lakh bales per year accounts for only around 3% of Indian cotton production and consumption and such cotton is not produced in India. But this is essential to sustain the share of value added / niche markets of India both in global and domestic markets. He has added that after the introduction of BT cotton that accounts over 97% of the cotton produced in the country, the cotton textile industry has to import ELS cotton, organic cotton, contamination free cotton to the tune of 10 to 12 lakhs bales per year to meet the demands of the global customers and also the value added made-ups and apparel segments of domestic market. He has cautioned that the country is already flooded with cheaper imports of readymade garments from SAFTA countries and facing crisis.

Chairman CITI also welcomed the move of allowing women to work in all categories and also in the night-shifts with adequate protection, modified the definition of small companies: companies with a paid-up capital not exceeding 2cr & a turnover not exceeding 20cr are to be considered small companies, implementation of the 4 labour codes, minimum wages to all categories of workers, and all will be covered by the Employees State Insurance Corporation (ESIC) are welcome decisions for the upliftment of Indian economy.

Shri T. Rajkumar pointed out that in some of our major appeals we had requested to the Hon'ble Prime Minister to remove anti-dumping duty on VSF and bring uniformity in GST slab for MMF value chain to enable the MMF Sector to have a level playing field which has still remained unresolved and would keep on pitching for the same with the Government departments.

Chairman CITI concluded by saying that the outlined six pillars of proposals to strengthen the vision of Atmanirbharta, such as health and well-being, capital and infrastructure, inclusive development, reinvigorating human capital, innovation and R&D and minimum government and maximum governance will lay a strong foundation for the future growth of not only the Indian Textile & Clothing Industry but for the entire economy as well.

“Union Budget 2021-22 Growth oriented but imposition of BCD on Cotton – a matter of deep concern” – Chairman , TEXPROCIL



The Union Budget for 2021-22 has launched “Mega Investment Textiles Parks (MITRA) under which seven Textile Parks will be established over a period of three years . “This is a very positive step which will enable the textile industry to become globally competitive, attract large investments and boost employment generation”, said Shri Manoj Patodia , Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL) .

The Budget has reduced the Basic Customs Duty on caprolactam, nylon chips and nylon fiber & yarn to 5%. This will encourage the growth of the MMF sector especially the MSMEs , according to the Chairman, TEXPROCIL .

On the Direct Taxes , the Budget has reduced the time-limit for re-opening of assessment to 3 years from the present 6 year . This is a welcome step and it will remove the uncertainty for the assesses”.

However, Shri Manoj Patodia expressed his concern over the imposition of 10% Basic Customs duty on Raw Cotton which was surprising . He said this will make imports of Extra Long Staple Cotton costly especially GizaCotton from Egypt and Supima Cotton from the US. The Chairman , TEXPROCIL also expressed his apprehension that the imposition of import duty on Cotton will increase the domestic prices of Cotton which will now be based on the import parity price plus the Basic Customs duty which in turn will increase cost for the value added products like fabrics , made ups and garments . He also pointed out that there has been a decline in imports of cotton by a sharp 77% during the period from January to Novembers 2020 as compared to the same period in 2019 and as such there is no case for an imposition of import duty on cotton. Shri Manoj Patodia appealed to the Government to withdraw the Basic Customs duty on Cotton in the interest of the textile& clothing sector and its orderly development and especially as India is a cotton surplus country.

Shri Sanjay Garg, President NITMA , welcomed the proposal of Union Budget 2021-22 as the grant to Textile & Clothing sector is budgeted at Rs. 3,631.64 crore which is about 10% higher than previous year's revised budget of Rs. 3,300 crores in 2020-21. Also, in the present budget, Government has emphasized on Infrastructure Development and Research & Capacity Building as the grant for these sectors has been increased by about 43.7% and 77.5% respectively as compared to the last year. Share of these sectors in total T&A budget allocation for 2021-22 stands at about 6% and 10% respectively.

Shri Garg briefly touched upon positive measures in budget 2021-22 for textile sector, as details are being analyzed, some of them are as follows:

- Mega Investment Textiles Parks (MITRA) scheme, in addition to PLI & 7 Textile Parks to be established over 3 years. He added that the active support and cooperation of the Government the textile industry will become globally competitive, attract large investments and boost employment generation & exports in the years ahead.
- Basic customs duty (BCD) rates on caprolactam, nylon chips and nylon fibre & yarn will be uniformly reduced to 5 % to spur textile industry, MSMEs, and exports.
- Customs duty on cotton from nil to 10 per cent and on raw silk and silk yarn from 10 per cent to 15 per cent, to benefit domestic cotton and silk growers.
- The taxation changes proposed in the Budget will help and benefit MSMEs in a big way. Measures taken to simplify GST are praiseworthy with the hope that Government will take corrective measures to smoothen the GST further by removing anomalies such as the inverted duty structure.

He further added that the custom duty policy announced has dual objectives of promoting domestic manufacturing and helping India get on to global value chain and export better. Shri Garg reiterated that the domestic textile industry will get easy access to raw materials and exports of value added products which will make textile industry globally competitive.

Summing up, he again admired several measures initiated in the budget 2021-22 at the same time he humbly appealed that there is an urgent need of raising customs duty on man made yarns from 5 to 10%, which has not been considered by the Hon'ble Finance Minister. Shri Garg elaborated, that manmade yarn sector which is one of the largest employment generating segments within the textile industry and it's highly capital and labour intensive industry as well. The unreasonably low-priced imports of manmade yarn into India have been causing considerable amount of injury to domestic manufacturers for last 5 years or so. Industry has deep concerns over the rise in import quantities being dumped into India, which can potentially cause a permanent damage to domestic MMF sector with the cascading effect, from closure of units to NPA's, and eventually resulting in huge employment loss.

Budget has made several announcements which will have a positive impact on Consumer spending

The Clothing Manufacturers Association of India (CMAI) the Apex Association of the Apparel Industry of the Country has welcomed the Union Budget presented in the Parliament by the Hon'ble Finance Minister Smt Nirmala Sitharaman.

Mr Rajesh Masand, President, CMAI said that the announcement on the 7 Mega Textiles Parks was the highlight of the Budget directly impacting the Textile Industry. This is in line with the Government's intention to encourage Mega Projects and increasing the scale of operations in the Textile Industry. This has to be applauded. A particular positive aspect of this scheme is the incorporation of Plug & Play Model which will enable the Members of such Parks to avoid huge Capital expenditure outlays.

Mr Masand further stated that Lack of scale has been the bane of our efforts to increase our share in the Global Trade especially in the Apparel Sector. However, the Government also has to very closely study why the Textile Parks have not really succeeded in the past. It is very crucial to avoid errors of omission and commissions in the past. Otherwise, this will remain one more well intended scheme which fails to lift the fortunes of the Textile Industry.

Mr Masand also pointed out that the increase of Import Duty on Cotton and Cotton Fiber may not impact the Industry too adversely since the current imports are at a miniscule level. However, this does come at a time when the industry is reeling from an unprecedented increase of raw material prices especially Yarn and could send a wrong signal.

In an indirect manner though, the Budget has made several announcements which will have a positive impact on Consumer spending – such as increases in infrastructure and overall Government Expenditure – and this will help the Industry, especially the Apparel sector.

The permission to form a One-person Company may also indirectly benefit the smaller Apparel manufacturers, many of whom are in the Micro sector and one-man shows. They are likely to get much more support from the Banking support than before. The increase of the Tax Audit slabs should also benefit the smaller members of the Apparel Sector.