Ref : M-14 / 359 / 20 26th December 2020

Smt. Nirmala Sitharaman
Hon. Minister of Finance
Government of India.
North Block
New Delhi 110 001

Respected Madam,

As you are well aware, the Retail Industry, along with Hospitality and Tourism Industry has been the hardest hit by the Covid-19 pandemic and consequent impact on the Economy.

Within Retail, the Garment Industry, whose manufacturing is solely dependent on the Retail, has been perhaps the worst affected, in view of the stringent lockdowns, partial lockdowns, and an on-off approach to markets being allowed to operate.

What makes the problem more compounded, is the fact that more than 80% of the Garment Industry is within the MSME Sector, with its own constraints of Finance and Sustaining power.

It is therefore essential that the Garment Manufacturing Sector, which is the highest Employer in the Country after Agriculture, gets a very strong support from the Government if it has to survive and recover in the coming years. The upcoming Budget for 2021-22 is an ideal opportunity for the Government to extend this support to the MSME Sector in this crucial Industry of our Country. A support to this Industry will also add tremendous fillip to the Atmanirbhar Bharat philosophy of the Government.

CMAI (The Clothing Manufacturers Association of India), is the largest and oldest Representative of the Domestic Clothing Industry, with over 4,000 Manufacturers and 20,000 Retailer members.

We are giving below our suggestions for assistance to the Sector, which will go a long way in the revival of this Industry:

1. In the Financial Year 20-21, many companies in our Industry will face a drastic drop in Revenue and Profits. In fact, it is very likely that more than half of the Companies could end up making losses. In such a situation, Banks could unnecessarily panic and drastically curtail or withdraw the credit facilities to these Companies – when in fact these facilities would be most required by these Companies, especially the MSME companies.

   It is therefore strongly recommended that:

   A) Banks should continue giving Drawing Power (DP) based on 2019-20 performance, and not give weightage to the 20-21 numbers.

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B) Normally, any 'Loss' Return in Income Tax would attract an automatic application of scrutiny. Considering that many Firms will be showing losses this year, it is suggested that the mere fact that a Firm has made a Loss should not make it an automatic candidate for scrutiny.

2. Although Retail sales have shown some signs of a mild pick up, it is still struggling at around 60% to 65% of last years' sales. Consumers are yet to build up sufficient confidence to resume their normal shopping – especially when it comes to discretionary spending.

   It is therefore strongly recommended that the current distinction in GST rates below and above Rs.1000 is removed, and a uniform rate of 5% GST is applied. Undoubtedly this decision can ultimately be taken only by the GST Council, the Budget can certainly give an indication and direction to the Council to seriously consider this suggestion.

3. Working Capital and Cost of Money are the biggest constraints for the Domestic Manufacturers in the Garment Industry. It is one of the acknowledged low margin industries and will become even more so in the future due to the extended credit that most Buyers are likely to take in the coming months.

   It is therefore recommended that at least for a period of one year, Domestic Manufacturers are offered Working Capital Interest Rates at the same rate as Exporters. This will provide a huge relief to the Domestic Manufacturers.

4. The Government is contemplating an outstanding PLI Scheme, which for the Textile Sector been converted to a FPLI Scheme. One of the qualifying criteria for this Scheme is a current base turnover of Rs.100 crores. For the Garment Sector, and especially the Domestic Sector, there are only a miniscule number of manufacturers who would qualify for this criterion. To really give a massive push to the avowed objective of pushing MMF Sector in the Industry, we strongly believe that the minimum turnover criterion be reduced to Rs.50 crores, for this Scheme to be effective.

We trust the above suggestions will be considered favorably by the Government in the coming Budget exercise.

With Respectful Regards,

Yours sincerely

Rajesh Masand
President

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