

Textiles

After the special package announced by the finance minister in the Union Budget 2003-04, the textiles industry received further benefits from the EXIM Policy presented on 31 March 2003 by Mr. Arun Jaitley. The policy stated that the existing export promotion schemes like Duty Entitlement Passbook Scheme and Export Promotion Capital Goods Scheme would continue in their present form and capital goods upto ten years old will be allowed to be imported under the EPCG scheme. Certain measures relating to the transfer of goods and services between special economic zones and domestic tariff areas were also announced. Also, the period of utilisation of raw materials for EOUs/SEZs has been extended from one year to three years. All these steps are expected to promote exports and facilitate capital spending on technology.

Exports continued to grow at a healthy rate. Textiles exports during April-January 2002-03 amounted to \$4773.4 million, recording a nine per cent growth as opposed to a 7.9 per cent decline in the same period of the previous year. Exports to the US increased by a whopping 23.4 per cent to \$929 million, while exports to the European Union fell by a marginal 1.5 per cent to \$1174.4 million during April-January 2002-03.

The ongoing truckers strike across the country has crippled the operations of small and medium sized enterprises. With no arrivals of raw materials, several small manufacturers operating with less than ten machines, are pulling down their shutters to avoid incurring labour costs. Spun yarn production continues to remain depressed, remaining at fairly the same level of 2.8 million tonnes during April-November 2002-03. The stoppage in production has resulted in orders piling up and customer disgruntlement. Small manufacturers have appealed to the government to quickly resolve the issue with the truckers. Several large container shipping lines hiked their freight rates by 35-40 per cent with effect from 1 May 2003, adding to the woes of the textiles sector.

The aggregate financials of the industry show that the sector incurred net losses for the sixth successive quarter during October-December 2002. The growth in aggregate sales was a modest 5.6 per cent. But with the increase in prices of several yarn varieties, the hike in freight rates by shipping companies and the delay in resolution of the truckers strike will put the bottomline under further pressure. There is also the looming threat of some large buyers cancelling orders due to delay in delivery.

Spun Yarn: Apr-Nov

	'000 tonnes	% chg.
Production		
2001-02	2073.1	-1.64
2002-03	2050.3	-1.10
Imports		
2001-02	1.36	-18.71
2002-03	2.13	56.86
Total Supply		
2001-02	2202.84	-0.54
2002-03	2177.99	-1.13
Exports		
2001-02	288.71	-8.10
2002-03	344.19	19.22
Domestic Consumption		
2001-02	1779.29	-0.77
2002-03	1732.64	-2.62

