

PRESS RELEASE

Discourage raw material exports, encourage value addition sectors: AEPC

New Delhi, May 6 – The government must take more steps to discourage exports of raw material for the sake of finished clothing products in domestic and export markets, the Apparel Export Promotion Council (AEPC) said today.

“Massive exports of raw cotton and cotton yarn from India to neighbouring countries like China, Bangladesh and Pakistan in recent months have hurt our apparel industry,” AEPC chairman Premal Udani said.

“The government must calibrate exports of raw material to encourage the textile and apparel sector which ranks as the second largest employment generator after agriculture,” he said while addressing a press conference here.

Though the government took some steps in this direction, the ground realities have not changed much, said Mr Udani. Fabric prices are still on the higher side compared to what they were in October-November last year while the availability is also not good.

“A lot more remains to be done. In a country like ours where over 300 million people live below the poverty line, emphasis must be put on job creation and value-added segments like apparel exports,” said Mr Udani. “At the same time, raw material exports must be dis-incentivised as they take jobs away from our country and create them in competing countries.”

Fabric prices have jumped 40 to 50 per cent in the past six months, leading to cost escalations. Garment exporters cannot pass on these increases to their buyers, said Mr Udani, nor can they absorb them as they are already under pressure due to strengthening of Indian rupee vis-à-vis US dollar and euro. Nearly one-third of garment manufacturing cost is on account of fabric price.

In 2009-10, apparel exports totaled 9.7 billion dollars compared to 10.95 billion dollars in the year-on period, marking a decline of 11.42 per cent. “A 10 per cent growth in current fiscal year is a very optimistic scenario which may or may not happen, depending on access to raw material at reasonable rates.”

The AEPC chairman called for full refund of taxes including state levies under the duty drawback scheme, duty-free scrips for exports to the United States and the European Union to be raised to five per cent from the current level of two per cent and interest subvention for small and medium enterprises to be extended to apparel sector.

China imported 4.76 lakh tonnes of raw cotton from India during January to March this year which constituted 56 per cent of its cotton imports. It also imported cotton yarn worth 5.5 million dollars from India, marking an increase of 136 per cent over the same period of previous year in value terms and 183 per cent in volume terms.

In the same period, Bangladesh's imports of raw cotton from India totaled 42,000 tonnes and were pegged at 46.57 million dollars in value terms.

The Indian apparel industry employs seven million workers and half of them are engaged in the export sector. “With fluctuating value of Indian rupee against the US dollar and the euro, the profitability of export companies working on seven to eight per cent operating margins has been badly hit,” said Mr Udani.

He urged the government to fix monthly quota and strict monitoring for calibrated exports of cotton yarns. This will help the domestic spinning industry as well, he added.