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PRESS RELEASE

Garment exporters reeling under price pressures, says AEPC

New Delhi, Mar 30 -- The Apparel Export Promotion Council (AEPC) said today that working of Indian businesses has been severely dented by a 40 per cent hike in prices of cotton yarn, tumbling values of dollar and euro against the Indian rupee and a sharp increase in minimum wages for workers in the national capital.

Textile mills have been frequently revising yarn prices upwards in the past four months while citing rise in prices of cotton, power and labour. "But the abnormal increase is without any co-relation to the rise in yarn input costs," said AEPC's chairman Premal Udani.

The planned increases in customs and excise duties on petroleum products will seriously affect the textile and clothing industry as power shortages will further increase production costs, he said.

At the same time, the two major trade-related currencies -- the dollar and the euro -- have been on a steady downward spiral in the past three months resulting in poor realisations for Indian exporters.

With the rupee appreciating 4.13 per cent against the dollar and 10.15 per cent against the euro since January 1, the profitability of small and medium-sized export companies who work on seven to eight per cent operating margins has taken a huge hit, said Mr Udani.

"Many exporters are not able to confirm new orders and bookings have come down sharply as retailers in the West who are just emerging out of the worst recession in decades are in no mood to give better rates," said Mr Udani.

On top of it, the Delhi state government has increased minimum wages for workers by 33 to 49 per cent from February 1. "We are still not out of recession. Such unprecedented increase will jeopardise our sustainability. Once we loose our competitiveness to countries like China and Bangladesh, it will not be easy to regain the lost ground."

In the current fiscal year, India exported garments worth 7.92 billion dollars between April and January -- down 10.16 per cent from 8.81 billion dollars in the same period of previous year.