

PRESS RELEASE

AEPC disappointed over reduction in duty drawback rates

New Delhi, Sep 18 – The Apparel Export Promotion Council (AEPC) said today the industry is deeply disappointed by 15 per cent reduction in duty drawback rates from next week.

In the Union Budget for 2010-11, there was a sharp increase in duties on most input materials and excise duty was increased by about 25 per cent over last year. In addition, a fresh duty of five per cent was levied on crude oil – a key input in garment production process.

“In this scenario, the industry fails to understand the rationale of reduction of duty drawback by 15 per cent when duties were increased by over 25 per cent and fresh additional duties were also levied on inputs,” said AEPC chairman Premal Udani in a letter to finance minister Pranab Mukherjee.

“The apparel industry is deeply disappointed and feels very badly let down at the new revised drawback rates announced effective from September 20, 2010,” Mr Udani said.

The recession for readymade garment sector is far from over, he added. For the first four months of current financial year, exports declined by eight per cent over last year. The industry is reeling under unprecedented price rise of its basic materials like raw cotton, cotton yarns and fabrics.

“A contraction of exports means loss of jobs,” said the AEPC chairman. “By our estimate, over a million jobs have already been lost. More will follow if urgent corrective steps are not taken.”

Mr Udani called for not only restoring the old drawback rates but to increasing them as much as possible. He said the textile and clothing industry is the largest employment generator in the country after agriculture.

“The government has given generous allocation to skill development initiatives in our sector. What use will this be if instead of job creation, there are job losses?”

Copies of Mr Udani’s letter were also sent to secretary at the department of revenue Sunil Mitra, joint secretary for drawbacks Najib Shah, textile minister Dayanidhi Maran, textile secretary Rita Menon and joint secretary V. Srinivas.

The government yesterday announced new drawback rate for cotton garments at 7.5 per cent of the FoB as against the earlier rate of 8.8 per cent. For garments of blend containing cotton and manmade fibre, the new drawback rate is

8.6 per cent as against the earlier rate of 9.8 per cent. For garments of manmade fibre, the new drawback rate is 9.5 per cent against the earlier rate of 10.5 per cent.

For readymade garments made of silk and wool, the rates are 10 per cent and 7.5 per cent respectively. The new entries for garments of blend containing wool and manmade fibre and for those made of cotton with one per cent or more by weight of spandex / lycra / elastane have been created with drawback rates of 8.6 per cent and 8 per cent respectively.

In the made-ups category, the revised drawback rate for cotton made-ups is 7.1 per cent with a cap of Rs 60 per kg. The drawback rates and caps for made-ups of manmade fibre and of blend containing cotton and manmade fibre have also been reduced.