

# Indian Textile Industry- An overview

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The Indian textile industry is one of the largest in the world with a massive raw material and textiles manufacturing base. Economy is largely dependent on the textile manufacturing and trade in addition to other major industries. About 30% of the foreign exchange earnings are on account of export of textiles and clothing alone. The textiles and clothing sector contributes about 14% to the industrial production and 3% to the gross domestic product of the country. Around 8% of the total excise revenue collection is contributed by the textile industry and about 35 million people are directly employed in the textile manufacturing activities. Indirect employment including the manpower engaged in agricultural based raw-material production like cotton and related trade and handling could be stated to be around another 60 million. There are 1,808 textile mills with a spinning capacity of about 40 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the powerloom and handloom sectors as well. The Indian textile industry continues to be predominantly based on cotton, with about 65% of raw materials consumed being cotton. The yearly output of cotton cloth was about 26 billion sq. meters. The manufacture of jute products (1.1 million tonnes) ranks next in importance to cotton weaving. Installed capacity of Indian textile industry is given in Table-1.

## Exports

The textile sector in India ranks next to Agriculture. The textile sector is among the top three foreign-exchange earners, along with gems & jewellery and IT. The export of world textiles and clothing (T&C) has grown through quantitative restrictions of Multi Fibre Arrangement (MFA) from 1974 to 1994. These restrictions were phased out during 1994 - 2004 in four phases. Now, with the opening of market, since January 1, 2005, the Textile and Clothing industry has been fully integrated into the World Trade Organisation (WTO)

In this scenario, the world T&C export has grown from US\$ 272.43 billion in 1994 to US\$ 530 billion in 2006, registering almost a two-fold rise. It is observed that the export of clothing has exceeded the textile export from 1994 onwards. China, a leading exporter of T&C, exported the textile and clothing in the

**Table -2: Indian share of textile and clothing in World**  
Value : US\$ billion

Year	Textile export		Clothing export		Total T&C Export
	World	India (% Share)	World	India (% Share)	
1994	133	2.91	141	2.63	7.53
1995	152	2.86	158	2.6	8.47
1996	153	3.23	166	2.54	9.15
1997	156	3.37	178	2.45	9.59
1998	150	3.04	186	2.57	9.34
1999	146	3.48	185	2.79	10.24
2000	159	3.78	198	3.12	12.18
2001	149	3.6	194	2.83	10.86
2002	156	3.87	206	2.93	12.07
2003	175	3.92	234	2.83	13.47
2004	196	3.58	261	2.55	13.64
2005	205	4.13	278	3.31	17.67
2006	219	4.27	311	3.27	19.52

Source: World Trade Organization.

proportion of 33:67 during 1994 - 2006. In 2006, its export of clothing was US\$ 95.39 billion as against only US\$ 48.68 billion export of textile. During 1994 - 2006, China has emerged as one of the leading clothing exporters in the world, while India could not improve its share in the global market.

In the post MFA period, the world T&C export increased from US\$ 456.11 billion in 2004 to US\$ 530 billion in 2006, in which the textile export grew 4.9% in 2005 and 6.5% in 2006 and clothing export grew 6.6% in 2005 and 12% in 2006. In 2006, China is the leading exporter in clothing and second largest exporter in textiles, its textile export has increased 22.79% in 2005 and 18.5% in 2006, and clothing export grew 19.8% in 2005 and 28.6% in 2006. Indian's share of textile and clothing exports in world is shown in Table-2.

The Indian textile exports at \$20.5 billion during 2007-08 fell short of the \$25 billion target. Despite a global slowdown and a slump in consumption in the US — the country consumes 30% of Indian textiles — exporters hoped to revive business in 2008 by tapping the fashion-driven European market.

**Table-1 : Installed Capacity of Indian Textile Industry**

Item	Unit	2002-03	2003-04	2004-05	2005-06	2006-07
Spindles	Million No	39.03	37.03	37.47	37.51	39.50
Rotors	Lakh No	4.68	4.82	5.00	5.20	6.01
Looms (Organised Sector)	Lakh No	1.37	1.05	1.03	0.92	0.88
Powerlooms	Lakh No	16.93	18.37	19.03	19.44	19.90
Handlooms	Lakh No	38.91	38.91	38.91	38.91	38.91
Man- Made Fibers	Million kg	1096	1101	1189	1191	1663
Man- made Filament	Million kg	1191	1228	1337	1374	2053
Worsted Spindles (Woolen)	Thousand No	604	604	604	604	604
Non- Worsted Spindles (Woolen)	Thousand No	437	437	437	437	437.0

Source: www.taxindia.com.

The government had estimated textile exports of \$31.17 billion this year but a rise in cotton and other raw material prices is making life tough for companies, many of whom are finding it tough to stay competitive in the global market.

With the rise in the minimum support price of cotton, production cost will go up which, in turn, will affect exports.

Indian textile industry awaits imported cotton to ease the price pressure from the commodity in the domestic market; exporters anticipate poor economic policies to stifle their prospects in 2008. Trailing behind most of its Southeast Asian counterparts in terms of growth in exports to the US, the recent move by the government to withdraw interest rate subvention on export credit is set to stagnate the prospects of the textile industry in 2008. Total textile imports by the US during the January-June, 2008 period have come down by 4% to \$32,997 billion, as against \$34.385 billion in the same period last year.

India has already lost out to Vietnam, Bangladesh and Cambodia in terms of growth in the US market during January-June 2008 over same period last year. The Bangalore-based Gokaldas Exports, which is the largest exporter of Indian textiles, recorded a turnover of Rs 990 crore in 2007-08 with exports down 20%. The government's decision will further cripple the exporters.

Rising raw material prices, lack of enough government support and declining demand in the United States have taken a toll on the Indian textile industry. Thirty-three major textile companies have reported a cumulative loss of Rs 152.21 crore in the first quarter of April-June 2008, compared with a profit of Rs 144.56 crore in the corresponding period of the previous financial year.

Major textile companies like Raymond and RSWM Ltd have reported losses, whereas Vardhaman Textiles, Alok Industries, KPR Mill and Sutlej Textiles have witnessed a massive decline in their profits.

The government has announced several relief measures to support the textiles industry, which has been representing that textile exports have been affected by the appreciation of the value of rupee vis-a-vis the US dollar. These measures include the following:-

- ❖ DEPB rates enhanced by 3% for 9 sectors including textiles (also handlooms), RMGs and handicrafts. For other items, DEPB rates enhanced by 2%.
- ❖ ECGC premium reduced by 10%.
- ❖ Amount of Rs 600 crore released for clearing arrears of. CST reimbursement and terminal excise duty.
- ❖ Duty drawback rates enhanced by 10% -40% of the existing rates.
- ❖ Subvention on credit rate allowed upto 4% including interest subsidy of 2%.
- ❖ Refund of service tax paid by exporters on services linked to export of goods viz, port services for exports, transport of good- by road from container depot to port of export, general
- ❖ insurance services for insurance of goods for export, technical testing and analysis agency services and inspection and certification services, storage & warehousing services and clearing activity services.
- ❖ Customs duty on intermediates for polyester staple fibre and polyester filament yarn reduced from 7.5% to 5%.
- ❖ Customs duty on paraxylene, a raw material for the intermediate PTA reduced from 2% to 0%.

- ❖ Customs duty reduced on other man-made filament yarn & staple Fibers of acrylic & viscose from 10% to 5%.
- ❖ Customs duty reduced on spun yarn of man-made staple Fibers & filament yarn (other than nylon) from 10% to 5%.
- ❖ Customs duty reduced on polyester chips from 7.5% to 5%.

## Textile Machinery

According to the Textile Machinery Manufacturers' Association (TMMA), exports of the textile machinery are remaining steady at Rs 485 crore in fiscal 2007-08 as against Rs 489 crore in fiscal 2006-07 due to demand for textile machinery has come down.

Exports remained stagnant over the last 3 years due to high domestic demand and tough competition in the export market. The textile machinery industry did not do well in 2007-08. The slowdown in the textile industry during 2007-08 affected the growth of the textile engineering industry (TEI) considerably, as it has come down from 26% to only 7%. There is likely to be negative growth during 2008-09.

The production of textile machinery, parts and accessories, has increased from Rs 2,799 crore in 2006-07 to Rs 2,997 crore in 2007-08, recording an annual growth of 7% over the previous year and a capacity utilization of 79% during the year. On the other hand import of textile machinery reduced from Rs 9,434 crore during 2006-07 to Rs 7,500 crore during 2007-08, due to good demand from weaving, knitting, processing and garment sectors. Imports of textile machinery including second hand machines are taking place a big way. The earlier spurt in demand from the textile industry had triggered the TEI to develop and expand the machinery- manufacturing capacity, particularly in the spinning machinery sector.

Textile Ministry is planning to increase capacity of textile manufacturing Sector. The textile industry is planning to invest Rs. 1,40,000 crores in textile machinery and other capital expense in next 5 years in order to take a leap in annual exports of textiles and garments from US \$ 24 billion to US \$ 55 billion. At present, the total installed capacity of textile machinery industry in India has a potential to manufacture textile machinery worth Rs. 3,050 crore, whereas the level of production during 2007-08 was around Rs. 2,997 crore.

Textile Engineering Industry has projected an investment of around Rs. 5,000 crore in plant and machinery during 11th Plan period and consequent increase in production to the level of Rs. 10,000 crore by 2012. To achieve this, the Ministry of Textiles is encouraging modernization of the textile industry by enhancing the allocations under Technology Up gradation Fund (TUF) Scheme.

## Textile industry in Eleventh Five Year Plan

The government is envisaging plan for developing and promoting textile industry in the country. Implementing schemes like Technology Up gradation Fund Scheme(TUFS), Scheme for Integrated Textiles Park (SITP), Mill Gate Price Scheme (MGPS) and Technology Mission schemes, namely Technology Mission on Cotton (TMC) and Jute Technology Mission (JTM) to facilitate Indian textiles industry to grow at the rate of 16% in value terms to reach level of US\$ 115 billion (comprising of US\$ 55 billion of exports and US\$ 60 billion of domestic market) and attain 7% share in global textile trade by the terminal year of the Eleventh Plan (2011-2012) period. These will generate ample employment opportunities.

At present Indian economy is growing at the rate of about 9.2% but India's textile and clothing industry contributes about 17% to total exports.

The industry should first develop the "India brand" in the domestic market. Presently Indian textile products are sourced by larger international chains and being sold in different brand names. This trend should be changed and India has to build a range of products that carry the zeal of Indian companies, feel many experts from the industry and the government.

In order to provide the industry with world class infrastructure for setting up of textile unit, recently, the government has sanctioned four more textile parks under the Scheme for Integrated Textile Park. Earlier 26 Textile Parks were sanctioned involving a total project cost of Rs 2,428 crore out of which the share of the government would be Rs 866 crore. These parks are expected to generate an additional investment of Rs 13,445 crore, additional annual production of Rs 19,200 crore and will provide direct and indirect employment to about 5.29 lakh persons. This Scheme is extended during the 11th Five Year Plan to cover more textile parks. In order to facilitate the industry to install state-of-the-art machinery, the government has strengthened and augmented the Technology Up gradation Fund Scheme (TUFS).

The projected value of Indian textile industry is estimated to grow from US\$ 47 billion in the year 2005 - 2006 to US\$ 115 billion by the year 2012, comprising domestic market of US\$ 60 billion and exports of US\$ 55 billion, thus the projected growth rate is 16% per annum during these years.

The government of India has taken initiatives and included new schemes in the Annual Plan for 2007 - 08. These include schemes for foreign investment promotion to attract foreign direct investment in textiles, clothing and machinery.

The domestic textile industry is on the verge of a transformation as these days, the sector is emerging as a new arena for foreign players to invest. The current market situation says that the global investors are eyeing on Indian textile industry move over telecom, information technology and real estate sectors.

Keeping the track of current market situation, consolidation on a larger basis with larger capacities is the need of the hour with growing competition from neighbouring countries like Bangladesh, Sri Lanka and Vietnam in the export markets.

A clear hint to this effect came from the deal between the Blackstone Group and Gokaldas exports at Rs 660 crore. That was the beginning of an era of consolidation in textiles sector. The deal is a clear indication that foreign funds have smelt the phenomenal growth prospects in the industry.

With more private equity players will come into the sector, further consolidation of the industry is very much possible. On the other hand, the domestic textile industry is venturing into other regions including Africa, West Asia, Russia, Latin America and Australia, apart from the traditional US and European markets.

Growth in the size of the domestic market due to increase in population and rising incomes as also higher exports of textile products, the future of the Indian textile industry is certainly bright. The domestic machinery industry can also look forward to more propitious time in the years to come. ♦

<b>Export of Indian Textiles</b>			
<b>(Item-wise) Value - Rs Crores</b>			
	<b>Items</b>	<b>2006-07</b>	<b>2007-08</b>
<b>A</b>	<b>Cotton Textiles</b>	<b>25197.20</b>	<b>26161.94</b>
	% Share	29.06	30.28
1	Cotton Raw Incl. Waste	6107.81	7999.69
2	Cotton Yarn, Fabrics and Madeups	19089.39	18162.25
<b>B</b>	<b>Manmade Textiles</b>	<b>10863.39</b>	<b>12624.29</b>
	% Share	12.53	14.61
1	Manmade Staple Fibers	888.52	1114.71
2	Manmade Yarn, Fabrics and Madeups	9974.87	11509.58
<b>C</b>	<b>Silk</b>	<b>3196.89</b>	<b>2581.09</b>
	% Share	3.69	2.99
1	Natural Silk Yarn, Fabrics and Madeups	1976.9	1525.68
2	RMG of Silk	1197.21	1043.47
3	Silk Waste	22.78	11.94
<b>D</b>	<b>Wool</b>	<b>1919.36</b>	<b>1800.62</b>
	% Share	2.21	2.08
1	Wool yarn, Fabrics and Madeups	385.5	374.78
2	RMG Wool	1533.86	1425.84
<b>E</b>	<b>Ready Made Garments</b>	<b>37506.16</b>	<b>35745.39</b>
	% Share	43.26	41.37
1	RMG of Cotton including Accessories	31289.5	29831.56
2	RMG Manmade Fibre	4225.88	3642.87
3	RMG of Other Textile Material	1990.78	2270.96
	<b>Total Textiles (A-E)</b>	<b>78683.00</b>	<b>78913.33</b>
	% Share	90.75	91.32
<b>F</b>	<b>Handicrafts</b>	<b>6181.00</b>	<b>5557.73</b>
	% Share	7.13	6.43
1	Carpets (Excluding silk)	4066.73	3646.54
2	Handicrafts (Excluding handmade carpets)	1981.91	1854.93
3	Silk Carpets	132.36	56.26
<b>G</b>	<b>Jute</b>	<b>1178.39</b>	<b>1299.86</b>
	% Share	1.36	1.50
1	Floor Covering of Jute	291.08	304.69
2	Other Jute Manufactures	269.18	316.3
3	Jute Yarn	242.32	215.11
4	Jute Hessian	375.81	463.76
<b>H</b>	<b>Coir and Coir Manufactures</b>	<b>660.25</b>	<b>639.72</b>
	% Share	0.76	0.74
	<b>Grand Total Textiles Exports</b>	<b>86102.64</b>	<b>86410.64</b>
	<b>Total Exports</b>	<b>571779.29</b>	<b>640172.15</b>
	% Textile Exports	15.16	13.50

Source: Foreign Trade Statistics of India.