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23rd January, 2020

Shri Hasmukhbhai Patel
Hon'ble Member of Parliament
Ahmedabad East.

Sub: GCCCI's Suggestions related to the Textile Sector

Respected Sir,

Greetings from Gujarat Chamber of Commerce and Industry.

We would like to submit herewith some of our primary suggestions with regard to the textile sector, aimed at promoting the growth of the sector.

Sir, we request your goodself to kindly consider these suggestions positively and also recommend the same at relevant forums. We also request you to kindly provide us an appointment to our delegation of experts from the textile industry at your convenient date and time for further discussion in the matter.

With Regards,

Sincerely,

Tanmay Mehta
Secretary General

Encl: As above

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer

SUGGESTIONS FOR DEVELOPMENT OF TEXTILE INDUSTRY

SUBMITTED TO

**SHRI HASMUKH PATEL
HON'BLE MEMBER OF PARLIAMENT
AHMEDABAD, EAST**

SUBMITTED BY



ગુજરાત વેપારી મહામંડળ

GUJARAT CHAMBER OF COMMERCE AND INDUSTRY

DATE: 23RD JANUARY, 2020



Preamble

India is the 2nd largest producer of cotton, and next only to China. The global net cotton production has come down substantially in the recent past in China & US. On the other hand, besides US and other developed nations, cotton textile demands are increasing from economically strong Asian Countries.

On the other hand, Textile being highly labour-intensive industry, developed nations have already lost their cost competitiveness and are trying to re-locate their activities in low cost countries like India. It is observed that besides the quality production of cotton, India is quite strong in the various sub-segments of textile value-chain in terms of Technology & Productivity. However, there is a need to establish our country's brand as a leading manufacturer of cotton, yarn, fabric and garment with a policy to work on five F's - Farm, Fibre, Fabric, Fashion (Garment) & Foreign (Export). In the export front, certain initiatives need to be taken to remove the undue advantage which the other neighbouring countries are getting due to duty exemptions under trade agreements, so that our exporters get a level playing field vis-à-vis the other countries.

In view of the current scenario of the textile sector, we have put forth some suggestions for the growth and development of Textile industry in the country.



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1. Need to remove the undue duty advantage available to Bangladesh by strong implementation of minimum value-addition criteria

India allowed duty free import of readymade garments from Bangladesh under SAFTA in 2006. Earlier, this facility was limited to 8 million pieces per annum. This restriction was removed in 2010. Imports from Bangladesh have been growing at a steady pace ever since and gained momentum in mid-2017. India imported \$87.4 million worth of readymade garments from Bangladesh during July-November 2017, which was a sharp rise of 56 per cent compared to \$55.92 million during the same period last year, according to the data released by Export Promotion Bureau of Bangladesh. Knitted apparel imports from Bangladesh rose by 69 per cent while woven apparel imports grew by 51%. In the pre-GST era, import of garments from Bangladesh was attracting CVD (countervailing duty) plus education cess thereon. However, in the post-GST scenario, there is no cost for import of garments from Bangladesh which is causing this increase. This unilateral duty-free market access given to Bangladesh is actually facilitating backdoor entry of Chinese textiles into India, which needs to be curbed by introducing some protectionist measures such as imposition of anti-dumping duty. **Under SAFTA regime, the clause of minimum value addition of the country should be more than 90%. In that case the product should be given duty-benefit only in case of such value addition.**

2. Formulation and strict enforcement of laws to ensure availability of original seeds, pesticides and fertilizers to farmers

Good quality original seeds are an essential prerequisite for successful and viable farming, especially in the context of cotton farming. However, majority of the seeds currently available to the farmers are not the original seeds but are instead hybrids with a lower yield and higher pesticide and fertilizer requirement. This reduces the overall productivity of the cotton farming and causes higher vulnerability to pests, disease, drought and crop failure. Similar is the case for pesticides and fertilizers. We suggest that strict laws should be formulated and enforced so as to ensure the availability of original seeds, pesticides and fertilizers to farmers.

3. Benefits to process houses

There are many large textile process houses which operate across multiple segments of the textile value chain. However, they receive very little benefits from the State and Central Governments. Many of these process houses are exporters. Looking at the huge employment and foreign exchange generated by these process houses, we suggest that additional benefits should be provided to them as below:

- Setting up a common CETP or Individual Pollution Treatment Plant
- Setting up Zero-Liquid Discharge (ZLD) infrastructure



4. Support for creation of globally recognized Indian apparel brands

Since creation of a brand in the apparels segment is a process requiring huge amount of funding, some government support is needed in the process as most Indian manufacturers are wary of creating brands for lack of adequate funds. Support could be extended in the following areas:

- Designing costs
- Training costs
- Certification costs
- Advertising and promotional costs

5. Promotion of Technical Textiles

Technical Textiles is a high-growth, high-value added sector which has ample opportunities for the future, as new unique uses of textile in various industries are getting discovered. For e.g. There is a huge potential for the textile industry in the area of alternative man-made fibres such as carbon and glass fibres. These are used in high-end manufacturing sectors such as aerospace, automotive, energy and defence.

- The technical textiles segment is know-how and technology driven and requires requisite machinery and technology for production. Support should be made available to them for purchase of technology and machinery.
- We suggest that government should provide viable and innovative projects for MSMEs prepared through extensive studies conducted with the help of expert agencies.

6. Modifications required in the solar and wind power policies

- Currently, the solar and wind power policies have maximum cap on the amount of captive power which could be generated through installation of solar/wind power plant and used for production purposes in-house. This maximum cap restriction should be removed and the unit should be allowed to install solar/wind power plant for a capacity which can fulfil its power needs completely. This will enable the Indian textile industry to compete well in the global textile markets and will also encourage use of alternative power.

7. International Marketing and branding

International Marketing and branding are expensive but essential tools for MSME textile units. Government should support and **encourage creation of a specific brand for “Indian Cotton”** on similar lines as that done for “Giza Cotton”. This would help us in facing the stiff competition from other neighbouring countries by reducing chances of its replacement by cotton produced by them.

8. Incentivizing exports to compensate for the duty drawbacks in pre-GST era

Many of our underdeveloped neighbouring nations such as Bangladesh enjoy duty exemption advantages vis-à-vis India, which make their products cheaper than ours as duty drawbacks are no longer available after implementation of GST. To counter this, the government should provide export benefits to the garment manufacturers so that they can sell the products at the

same price as the neighbouring countries. Also, as export incentives are increasingly getting challenged due to WTO norms, government should work on alternative benefits such as power/water/CNG subsidy and reimbursement of costs of treating effluents.

9. R&D and Certification Laboratories

- There is a severe shortage of testing facilities across the textile chain which is proving to be a major handicap for raising the standards of our products to match international levels.
- We therefore urge the government to set up proper state-of-art R&D and testing labs in all major textile manufacturing centres.
- Financial support should also be provided for setting up of preliminary in-housing testing facilities by units
- Government Certified Domestic labs should be authorised to issue Compliance certificates required by international buyers

10. Promotion of value-added yarn and hand-spun yarn

Hand-spun yarn fabric (khadi) should be promoted as many national leading brands have introduced their khadi fabric due to **huge demand for hand-spun yarn in countries such as Japan**. Also, since hand spun yarn is manufactured by small fabric and garment manufacturers, they will also be encouraged and employment will be provided.

The utility of value-added yarn is rapidly increasing due to the emergence of new promising avenues such as technical textiles. Therefore, the **value-added yarn should also be promoted through specific interventions**.

11. Single National Policy for the Textile Sector

There is a need to establish our country's brand in various sub-sectors of textile industry on similar lines as that done by the other countries. To achieve this purpose, a single market for Indian Textile needs to be created. We therefore suggest that there should be **One Industry-One Policy across the country**, i.e. a **single unified policy for the textile sector across India**. This will prevent unnecessary undercutting within the country due to variable policies and would be vital in building and promoting our national brand for textiles in the global markets.

12. Green Fibre

Countries such as China are constantly bringing out new green and organic fibres in the market through R&D which are sold at a higher cost due to its unique branding as a natural, organic, environment-friendly and skin -friendly fibre. Although, such fibres are not resilient and have a short life-span, they sweep the global markets initially resulting in a temporary boom. The country's textile industry is also marketed strongly in guise of such new developments.

In order to counter such measures by neighbouring countries such as China, **we need to develop and promote our cotton fibre as "green fibre", which is manufactured through environment-friendly methods and zero-discharge processes**. Also, as developed countries constantly look forward to reducing and tightening the pollution norms, it is imperative that the growth of our industry should happen keeping in view the future of our future generations. For this, we suggest increased government support for the following:

- Purchasing Green Manufacturing Technology for textile

- Conducting R&D for manufacturing green fibre
- Testing and certification costs regarding green/zero environmental impact fibre

13. Relaxation in Labour Laws

The textile segment is a high-employment generating sector employing a huge number of unskilled and semi-skilled workers. The textile industry is also one of the sectors having the highest attrition rates. The sector has a significant fraction of small and medium-sized units which are mainly in the unorganized sector. In addition, the garment industry is mostly seasonal in nature and therefore the demand for workers varies throughout the year. However, the labour laws applicable to the sector are stringent, due to which the small units find it very difficult to manage their costs and compete with imported goods as well as global competitors.

The labour laws need to be made simpler and lenient keeping in mind below points:

- Contract labour for specific time-period needs to be allowed for the textile sector so that costs can be managed.
- Employees should be given an option between ESIC benefits and private medical insurance
- Subsidies and benefits should be credited directly in the bank accounts of the employees.

14. Branding and Promotion of Traditional textiles, Handlooms and Handicrafts segment

India is home to some of the most unique traditional textiles, handlooms and handicrafts segment. However, many of these traditional textiles and handicrafts are gradually decreasing due to lack of financial support, non-availability of resources and skilled labour and inadequate marketing and promotion. There is a need to **promote and brand these unique textiles and provide necessary handholding to them.**

15. Honouring achievers in Agro, Ginning, Fabric Manufacturing and Retail segments

Awards should be given by the government to recognize and encourage achievers in the cotton forming, ginning, fabric manufacturing, retail and technical textiles segments. This will motivate them to perform better.

16. Problems of Textile Traders doing trade with Nepal

From 1st July, 2017. After the Textile sector was covered under GST, the trade with Nepal has been converted from Local trade to Export trade, due to this, the textile traders who are unaware of so much complicated export procedure & along with the new GST era, were severely affected by this & have still not come to normalcy.

Compliance of Bill of Export (shipping bill) is to be done at the different Land Customs Border, situated thousands of kms away from the place of exporter. Since the Textile Trader/ Exporter is based far away from the border, it is extremely difficult to fulfill the complete requirements and Hence it causes undue delay in shipping the goods. Due to this complicated and impractical procedure, the trader is engaged in completing the compliance in turn its result in blockage of funds as well as increase in costs. It is to be noted that, if the exporter Ships the Container to the third Country, it takes only 2-3 days to complete the procedure, whereas for Nepal, it takes 10 to 15 days. Moreover, there are stringent rules and regulations of Bank



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procedure, BRC etc. although the trade is in Indian Rupees. Further, although the small traders have to undergo all the compliances, he is not given any duty drawback or MEIS.

Our request is to consider Nepal textile trade as local trade and not exports. If this is not possible, our suggestions for simplification of textile trade with Nepal are as below:

- (1) All the export procedures should be completed at the place of Shipment /Exporter example from Ahmedabad, Surat, Mumbai, Pali, Balotra , Burhanpur etc.
- (2) Since trade with Nepal is not in bulk, like full container or full truck, exporter sends the goods in small consignments (1 Bale/2 Bale/5 Bale), from his shop/factory/godown to the transporter's godown. **Hence the customs procedures should be done at various transport godowns on daily or alternative basis.**
- (3) Bill of Export (Shipping Bill) to be generated by the Customs at the dispatch point and not at the borders.
- (4) All Nepal Shipping Bills, should be marked as NFEI (No Foreign Exchange Involved).
- (5) Moreover, since the goods are in open trucks & not containers, the sealing is not possible. **In its place, each & every Bale/carton can be affixed by a custom seal & the same can be verified by the Indian Land customs at border & allowed to proceed to Nepal.** This will enable to considerably ease the problems.
- (6) Requirement of BRC to be waived off. **Nepal Shipping Bills should not be linked to the Banks EDPMS, as the trade is in Indian Rupees and not in convertible currency.**