Contents

July garment exports increase 19% to $1.28 bn

Financial Express

New Delhi, 5 September 2013: India’s garment exports surged 19% to $1.28 billion in July on rupee depreciation and a gradual pick-up in orders from the US and other Latin American countries, according to the latest official data.

The rise in July exports —the highest monthly jump in percentage terms since April last year — helped garment shipments in the first four months of the fiscal grow 13.1% after rising 11.1% in the quarter through June, showed the data. In rupee terms, exports grew 28.3% in July, driving up outbound shipments between April and July by 18.2% to Rs27,538 crore. The domestic currency weakened by 12.2% between April and July.

Higher textile exports augur well for the economy as they accounted for 10.54% of overall exports last fiscal and the sector employs 35 million people, being the largest employer after agriculture.

Having slid nearly 6% last fiscal and witnessed a drop in 10 months of 2012-13, garment exports started picking up in March as the domestic currency continued its downward journey and demand from the US started to pick up. Soaring costs in China and safety compliance problems at Bangladeshi mills also helped India's export growth, industry executives said.

"While the rupee depreciation has helped, the rise in demand in the US and Europe, despite a slow or fragile recovery in their economies, resulted in the surge in exports. Plus, demand from new markets, including Japan, has also aided the rise in exports and it seems that after a long time we are back in track on garment exports," said DK Nair, secretary-general of Confederation of Indian Textile Industry.

Apparel Export Promotion Council (AEPC) chairman A Sakthivel said: "To keep up this rate of growth for the garment sector, the Reserve Bank of India (RBI) must announce a separate chapter for lending to ensure adequate flow of credit. It is also requested that a flat interest rate of 7.5% for export credit to the ready-made garment sector may be prescribed."

However, Sakthivel said with the depreciation of the rupee, foreign buyers have also started asking for more discounts.

Domestic garment exporters have seen their fortunes wane in recent years due to tough competition from their Bangladeshi counterparts, who could offer cheaper products to global retailers taking advantage of low wages and often bypassing international labour norms. However, concerns among buyers mounted over the compliance of several labour rules by Bangladesh following the collapse of a textile unit building in May, which reportedly claimed more than 1,100 lives and came barely six months after another mishap had caused 120 deaths.

Moreover, rising manufacturing costs in China, the world's largest exporter, have augured well for India. assuming that India’s manufacturing cost in the spinning sector was 100 in 2012, China’s was as high as 138, followed by Indonesia (110), Bangladesh (104) and Pakistan (101), according to a study commissioned by the state-run Textiles Export promotion Council.

However, in the weaving and processing sector, China's manufacturing cost stands at 111, followed by Pakistan (110), Bangladesh (87) and Indonesia (99), compared with India's 100.

[Back to top]

Indian apparel exports to touch $17 bn: AEPC

PTI

New York, 19 September 2013: The Indian apparel industry is witnessing an upswing and the exports are likely to go up from $13 billion last year to $17 billion in the next two years on the back of economic recovery in the US and Europe, according to Apparel Export Promotion Council.

"Indian apparel exports have picked up in the last six months compared to negative growth in the previous two years," A Sakthivel, Chairman of Apparel Export Promotion Council (AEPC), said on the sidelines of the Buyer-Seller meet inaugurated by Indian Consul General in New York Dnyaneshwar Mulay at Penn Plaza Pavilion in Manhattan.

About 30 apparel manufacturers from across India are showcasing their readymade garments to American buyers at a two-day Fashion Buyer-Seller Meet, which began on Wednesday. The event is being organised by AEPC of the Ministry of Textiles in New York.

The orders that went to neighbouring countries came to India due to industry compliance issues in those nations, resulting into huge business, he said.

"The Indian apparel industry is compliance-oriented and we follow all the rules of the game. The atmosphere looks good now and these factors have helped a lot besides depreciation of rupee that is helping the industry to a certain extent," Sakthivel said.

At the same time, the manufacturing cost is also going up simultaneously due to the depreciation of rupee, he said.

The coming years will be a boom period for the Indian apparel manufacturers amid the industry growing by 14 per cent till August this year, AEPC chairman said.

On competition from China, he said Beijing is one of the biggest competitors for India but the cost of manufacturing has gone up over the years in that country.

"We also see a shift in workers interest who does not want to stick to the garment industry. Labourers are moving away from the garment industry to sectors like IT. All these factors are pushing up the cost of the final product.

"India is known for value added exports like embroidery sequence and especially ladies wear. The country has always been a key player in cotton apparel exports. The neighboring countries are not very competitive in this segment, he said.

Besides, traditional centres like Tirupur and Jaipur, units in Delhi, Noida, Ludhiana, Bengaluru and Chennai are doing well. The units in Mumbai are moving towards South especially to Bengaluru due to high cost.

Sakthivel, also a prominent exporter from Tirupur in Tamil Nadu, said Tirupur has seen increase in exports to the tune of 15 per cent in the last six months and the city's USP still remains knit wear, which is being sold to all the major retail stores and outlets in the US and Europe.

On the issue of power shortage in Tamil Nadu, he said the industry does not need much power and moreover the situation has improved now.

Tamil Nadu is improving in power and there is no concern in that front, he said.

On up-gradation of skill sets of workers, he said AEPC has started 175 training centres all across the nation to impart training.

These Apparel Training and Designing Centres not only train workers and supervisors but impart latest knowledge, he added.

Sakthivel, who was made Chairman of the Prime Minister Special Sector Skill Council in apparels, said the Government of India gives top priority to industry upgradation and knowledge improvement.

He said universities and engineering colleges play a key role in providing trained manpower and also assist the industry in honing up the skill set of workers.

"For instance, there are 12 colleges in Coimbatore that impart various courses in textiles, fashion design, machinery and tools and graduates are absorbed immediately.

"The pollution of textile units has no longer been an issue in the last two years as all the units are upgraded to the satisfaction of the government and the industry," he added.

Indian apparel manufacturers have become global players and most units are global compliance-oriented. The American and European buyers have expressed utmost satisfaction as we are WRAP and ISO 9000 certified to meet the stringent needs of the industry.

Indian exporters are in touch with US buyers and have traditional understanding as we are good in deliveries and adherence to compliance, he said.

Sakthivel, who took over as AEPC Chairman for the third time in 2012, said he helped shape the direction of the industry from doing business with traditional players to venturing into new markets.

"We went to Japan, South Africa, South America, Israel and Australia to name a few with a view to improving business in non-traditional markets," he said.

[Back to top]

Textiles Ministry for restoring incentives for cotton, cotton yarn exports

The Hindu

New Delhi, 9 October 2013: The Union Textiles Minister, K. S. Rao, on Wednesday, said he would soon take up with the Commerce Ministry the issue of restoration of export incentives under the Focus Market Scheme (FMS) given to cotton and cotton yarn exporters.

"I will be writing to the Commerce Ministry in this regard. It withdrew FMS, which was given to cotton and cotton yarn exporters, and it was based on the belief that we have already got surplus production in this country. So, they must have thought that it is not necessary,'' Mr. Rao told reporters at the end of the meeting of State Ministers of Textiles.

The Directorate-General of Foreign Trade (DGFT) was of the view that these products were availing export incentives under FMS. Nevertheless, there were curbs on their exports, he pointed out.
He felt that to deal with the issue of current account deficit (CAD), the Commerce Ministry should encourage textiles exports. The objective of the FMS was to offset the high freight cost and other disabilities to select international markets with a view to enhancing export competitiveness. It allowed a duty credit of 2.5 per cent of free-on-board value of exports to countries that are identified as focus markets by the government. The duty credit may be used for import of inputs or goods, including capital goods. The government has imposed quantitative restrictions on the exports of cotton and cotton yarn.

[Back to top]

Garment exports up 15% in Sept, may still miss target

Financial Express

New Delhi, 11 October 2013: Aided by a weak rupee and a steady rise in orders from key traditional markets, India's garment exports surged 15% to $1.11 billion in September, according to Apparel Export Promotion Council (AEPC) chairman A Sakthivel. However, with a 13% rise in the first half of the current fiscal from $6.23 billion a year before, the country is set to miss the ambitious target of $17 billion, or a 30% jump over the last fiscal, in 2013-14, according to some textile industry executives. This is because outbound garment shipments have to jump 47% in the second half of the fiscal to achieve the target, which is almost impossible despite the rupee depreciation. However, the exports may touch $15 billion in 2013-14, compared with $12.96 billion a year before, given the weakness of the domestic currency which is making the shipments more lucrative. The rupee has depreciated by 13.3% so far this fiscal.

"We organised fairs last month, we went to BSM New York and Spain and we got positive signals about the revival of the economies in the US and the EU," Sakthivel said. The US and the EU account for roughly 65% of the country's garment exports.

[Back to top]

Textile export plan could unravel on currency swings

Banikinkar Pattanayak, Financial Express

New Delhi, 7 November 2013: The government's ambitious plan to achieve a 30% jump in textile and garment exports to $43 billion this fiscal and partly offset the impact of a domestic slowdown may go haywire. A 9.3% appreciation of the rupee since its lowest in August may restrict the pace of textile and garment export growth to a moderate range of 10-15% this fiscal, especially in the absence of any major policy intervention and the withdrawal of an up to 4% incentive on yarn exports in September, senior industry executives said.

After a marginal drop last fiscal, textile and garment exports logged a 12.5% year-on-year growth in the April-July this fiscal to $9.11 billion on the back of a depreciating domestic currency and a recovery in US demand. In rupee terms, the rise in exports during the period was more substantial, at 17.6% to Rs 51,863.64 crore. Overall textile production gained 3.2% between April and August, showed the Index of Industrial Production data, suggesting that exports contributed much to the textile sector expansion this fiscal while domestic demand remained muted. So any threat to exports this fiscal may curb the entire sector's growth.

"The rupee dropping to the 68 level against the dollar was more of an aberration and the current level of the domestic currency seems to be a reasonable one. However, any further appreciation or wild swings from this point would hurt export prospects as the sector can absorb currency risks to a limited extent only," said DK Nair, the secretary general of the Confederation Of the Indian Textile Industry.
Senior industry executives said textile and garment firms usually hedge 30-40% of their revenue in the currency market to beat risks, although some heavily export-oriented ones like Welspun hedge more.
Dipali Goenka, managing director, Welspun Global Brands, said: "We hedge around 60% of our revenue while the remaining 40% is kept open as a risk-mitigation strategy. Hence, we are not much affected when the rupee appreciates and, similarly, we do not gain much when the rupee depreciates... This ensures that we have predictable revenues to a significant extent."

Welspun, Asia's largest home textile company, draws more than 90% of its revenue from exports and is also a key supplier to retail giants including Wal-Mart, Target, and Bed Bath & Beyond.

However, most of the unorganised players — who account for 80% of the garment and 90% of fabric segments — don't hedge. So any sharp appreciation of the domestic currency hits them the most and causes large-scale layoffs in a sector that offers jobs to 35 million people and is the country's largest employer after agriculture. Even the bigger companies bat for stability in the rupee movement.
According to Alok Industries MD Dilip Jiwrajka, the sharp depreciation of the rupee and problems of compliance of global safety standards by key competitor Bangladesh helped India's exports earlier this fiscal. "Although the rupee has strengthened a bit recently, we, as a company, don't see much of a risk as of now. However, an upset equilibrium in the rupee movement may tend to hurt export prospects of companies in the sector," he said.

Alok Industries, the country's largest player with a strong presence across the textile and garment segments in the domestic as well as export markets, aims to raise its export revenue by around 80% to Rs 6,000 crore over the next two years.

Vardhman Group chairman SP Oswal said the stabilisation of the rupee is essential due to the very nature of the textile and garment business. "A depreciation of the rupee may temporarily help exporters, but raw material costs will rise consequently, and so will labour costs in the very labour-intensive sector. These will ultimately hurt them." However, he sees no harm to Vardhman from the recent appreciation and expects exports to grow 7%, as forecast earlier, from over $300 million in 2012-13.

The country's overall textile and clothing exports, which also include shipments of cotton (raw and waste) and handicrafts, had hit Rs 1,59,570.56 crore ($34 billion) in 2011-12, up 26.4% from a year earlier. The government had set a $40.59-billion target for such exports for 2012-13 fiscal, which was missed.

[Back to top]

US pushes India again for early phase-out of textile sops

Amiti Sen, Business Line (The Hindu)

New Delhi, 3 November 2013**:** The US has pushed India again to do away with its export subsidies to textiles and garment producers as these sectors are now competitive in the global market.

India will have to start phasing out its textile subsidies soon to conform with the Subsidies Agreement of the World Trade Organisation, a US representative said at a recent meeting of the WTO Committee on Subsidies & Countervailing Measures.

While India may not start phasing out export subsidies on textiles and garments immediately, the growing pressure at the WTO may prompt it to go slow in giving fresh subsidies to the sector, a Commerce Ministry official told *Business Line*.

“We have informed the WTO that India is working with stakeholders on this issue. However, we still needed clarification on certain points, including the definition of products involved,” the official said.

While export subsidies are prohibited under WTO rules, the multilateral trade body allows countries with per capita income below $1,000 to give such incentives till exports are lower than 3.25 per cent of world trade in that particular commodity.

India’s share in the global market for textiles crossed the limit in 2007, according to WTO records, and is almost four per cent at the moment. However, since countries are given eight years to remove the subsidies, India has time till 2015 to do so.

India has been giving incentives to its exporters over the last few years for exporting to targeted markets and for exporting labour-intensive products to help them tide over the slowdown in global demand. Since textiles and garments are important job generating sectors, these have received generous incentives over the last few years. With the US and EU markets now looking up, the pressure on the Government to further give incentives is not high.

India had earlier pointed out at the WTO that many of the subsidies identified by the US and others are not subsidies and merely a reimbursement of input duties. It said before the phasing out takes place, there has to be a common understanding on what the subsidies are.

[Back to top]

Garment exports rise 31% in October

Business Line (The Hindu)

New Delhi, 21 November 2013: India's garments exports increased by 31 per cent to $1.19 billion year-on-year in October 2013, pushed by increased demand from all major markets including the US and the EU.

With higher orders flowing in from all regions, except South Asia, garments have become one of the top growing export sectors. India's total exports during October posted a 13.47 per cent growth to $27.27 billion.

"Our efforts and investments in the right markets coupled with Government support have paid dividends. It was indeed a difficult time (global slowdown), but between opportunity and crisis trade-offs, we kept on looking for better and newer markets, kept innovating our products as well as making robust our compliance practices," Apparel Export Promotion Council A. Sakthivel said in a release.

Sakthivel said because of the high quality of garments, India had become a preferred sourcing destination for brands like Zara, Gap, H & M, Mango, Elcorte, Desigual, Tommy Hilfiger, etc. and prominent chain stores such as Walmart, C&N, H & M, JC Penny, Target, Sears, Marks & Spencers and H&M.

In January-September, US imports of apparel from India increased by 5 per cent to $2.5 billion. India's export to EU in the January-July period was 1 per cent higher compared to the previous year amounting $3.4 billion.

EU was the top destination for garment exports by India followed by the US and West Asia.

[Back to top]

Garment exports up 15% in April-October

Business Line (The Hindu)

New Delhi, 10 December 2013: Apparel exports have grown 15.5 per cent the first seven months of the fiscal to $8.2 billion due to revival of demand in the US and the EU.

The Government is now all set to increase the export target for next year from the current $17 billion. “I am confident that we are on the road to recovery. Signs of its revival are visible in the US and EU, which guided my instinct to revise the apparel export target to $17 billion this year. Let’s keep a high target next year,” Commerce Secretary S.R. Rao said at an awards function of the Apparel Export Promotion Council on Tuesday.

He said it was possible to export $60 billion worth of garments in the next three years.

Textiles Minister K.S. Rao, who also spoke on the occasion, underlined the need to innovate and explore new non-traditional markets such as Israel, Russia, Brazil and Japan. “New markets should be perceived actually as a new growth opportunity,” he said.

The garment sector needs to identify key areas to work on, focus their energies on evolving new markets, and establish brand India, said Textiles Secretary Zohra Chatterji.

[Back to top]

EU ends sops for Indian textile, engineering exports

Sidhartha, Times of India

New Delhi, 13 December 2013: In a twin blow to local exporters, the European Union has given special preference for imports from Pakistan, which will allow duty-free access into 27 markets, while withdrawing the concessions for several Indian goods, including textiles and engineering. And, it's the Indian government, not EU, to be partly blamed, for creating this disadvantage for exporters.

While India had managed to block similar concessions nearly a decade ago after a challenge at the World Trade Organization, this time the sops have been given to deal with floods that hit Pakistan and have been given after the move was backed by New Delhi. The GSP-plus benefits will kick in from January 1.

The new concessions to Pakistan, known as GSP-plus or those above the Generalized System of Preferences, come at a time when the Indian textile sector was looking up, with exports and employment on the rise.

"Pakistan stands to gain on products on which it gets duty concessions and to that extent the competitivenss of Indian products gets eroded," said Abhijit Das, who heads the Centre for WTO Studies. While Apparel Export Promotion Council chairman A Sakthivel said garment exports will not be hit, Das identified products such as bed linen where Indian exports may be impacted.

The list of 75 goods on which Pakistan will enjoy duty concessions was not immediately available but exporters said textiles will be a major product. Although the concessions have been discussed for several weeks now, the European Parliament approved the package for Pakistan on Thursday, raising expectations of a $1 billion gain for India's neighbour.

From the same date, Indian exporters of several products ranging from chemicals, textiles, leather goods, motor vehicles, bicycles, aircraft parts and shipbuilding and components will lose 6-12% advantage. "When it comes to bicycles, GSP benefit to China too has been withdrawn. So, we can compete there but life will be tougher for several other segments," said Anupam Shah, chairman of the Engineering Export Promotion Council.

Sources in the textiles industry said some Indian companies would look to invest in countries such as Bangladesh to claim concessions under schemes such as Everything Bur Arms (EBA).

[Back to top]

Bangladesh looking for greater access for readymade garments

The Economic Times

New Delhi, 19 January 2014: Bangladesh will press for greater access to the Indian market for readymade garments and will urge the government to ease barriers including stringent testing norms.

Bangladesh Commerce Minister Tofail Ahmed, who will meet Commerce & Industry Minister Anand Sharma on Saturday, is also expected to chart out detailed plans for improving border infrastructure to boost trade between the two neighbours.

"The United States and European Union, Canada are very big markets for our readymade garments. But India, which is also a big market we cannot utilise it," Ahmed told TOI in an interview.

"India shall have to give us more facilities so that we can export our readymade garments. In some places, India is our contestant for readymade garments. But, our product is cheaper than India's as our cost of production is less than India's."

India and Bangladesh compete in the textile export segment in some markets but Ahmed said New Delhi has set up barriers such as imposing tough testing norms to keep readymade garments from Bangladesh out.

"India is not accepting the tests of BSTI (Bangladesh Standards and Testing Institution). That is the big problem. They feel that our testing process and methods are not up to the expectations. It is a matter of discussion," Ahmed said.

"Bangladesh can take this opportunity but because of barriers we cannot come to the Indian market," he said referring to the potential of the Indian market.

Ahmed said efforts are on to set up trade offices in Siliguri and Guwahati to expand trade in the seven northeastern states of India. "There is huge opportunity to export our products to seven sister states in India. We have lots of plans."

The minister also said the new government in Bangladesh plans to expand its export procession zones and invited Indian companies to take advantage of the opportunities. He said he will engage with Indian companies.

Indian entrepreneurs, Indian industrialists can set up their industries in Bangladesh. As an LDC (least developed countries), Bangladesh is getting GSP (Generalised Scheme of Preferences) and lot of other facilities from European markets. After setting up industries in Bangladesh, Indian entrepreneurs will be able to get the opportunity," Tofail said.

[Back to top]

Govt restores incentives for incremental cotton yarn exports

Business Line (The Hindu)

New Delhi, 24 January 2014: The Government has restored export benefits for cotton yarn under the "incremental export incentivisation scheme" that was withdrawn in September 2013.

The scheme, introduced at the beginning of this fiscal, entitles an exporter to duty credits worth 2 per cent of the exported goods which could be used to import inputs duty free or sold in the market.

"Withdrawal of the benefits of the incremental export incentivisation scheme (IEIS) had dampened the enthusiasm of cotton yarn exporters and the restoration of these benefits will reflect in the export performance during the remaining part of the year," said Prem Malik, Chairman, Confederation of Indian Textile Industry.

Exporters want the benefits for cotton yarn under the Focus Market Scheme (under which incentives are given for exporting to identified markets), which was also withdrawn last September, should be given back.

"Concerted efforts were being made by the industry to penetrate new markets, especially in South America and Africa, on the strength of the scheme and restoration of these benefits would encourage such efforts and help the industry to meet the high logistics costs in export of cotton yarn to these regions," Malik said.

Notification

The Directorate General of Foreign Trade, in a notification dated January 23, clarified that the ineligible category of cotton yarn inserted by a previous notification on September 25, 2013 stands deleted.

[Back to top]

Give our textiles also duty-free access: India to Germany, UK

Amiti Sen, Business Line (The Hindu)

New Delhi, 2 February 2014: India is seeking duty-free access for its garments and textiles into the European Union, in line with what is on offer to competing countries such as Pakistan and Bangladesh. The Textiles Ministry is already in talks with Germany and the UK for zero duty access for garments and some other textile items, Textiles Minister KS Rao told *Business Line*.

"We are negotiating Government-to-Government. We want them (EU countries) to give us the same dispensation as Pakistan and Bangladesh," the Minister said. It is important to ensure a level-playing field for Indian exporters. The Ministry has also asked the Finance Ministry for an interest rate subvention (lower interest rate) of 3-4 per cent for textile exporters. "This will help them compete in the export market better and exports would go up," Rao said.

Preferences scheme

The Minister said that the Textile Ministry would set an ambitious export target of $60 billion for the textiles sector for the coming fiscal, which is almost 50 per cent higher than exports of $41 billion estimated this year.

But the fact that the country has graduated out of the Generalised System of Preferences (GSP) scheme offered by the EU under which it was getting preferential access to the European market (by paying lower import duties) could make the going tough. EU is India's largest market for textiles.

While Bangladesh and Sri Lanka have been taking advantage of a duty-free regime for their textile items for some time, Pakistan too has been made eligible for zero-duty access since January this year under the EU's GSP Plus scheme. Rao said that Indian garments and textiles were getting affected because of the double blow. "In a market like Germany, while Pakistan does not have to pay any duties for readymade garments, Indian exporters are subject to a duty of 9.36 per cent," the Minister said.

Under the GSP Plus Scheme, Pakistan is allowed to export textile goods to the 27-member EU duty free till 2017.

As per estimates made by the Pakistani Government, the textile industry would earn additional profits of $930 million per year because of the scheme.

With Chinese textiles becoming uncompetitive due to rising labour cost and Bangladeshi textiles facing quality issues, India is hopeful that several European countries will take the country's request seriously. "EU imports 95 per cent of its textile requirements. It is giving concessions to Pakistan and Bangladesh for political reasons. We are requesting the same," Rao pointed out.

[Back to top]

Apparel sector lags in winter-wear exports

Vinay Umarji, Business Standard

Ahmedabad, 5 February 2014: While India is one of the top apparel exporters to western markets for summer wear, every year when it comes to winter wear, the country witnesses a dip in shipments. To bridge the gap, apparel exporters are now making an effort to increase the import of specialised fabrics.

Companies and experts alike attribute the dip in winter wear export to lack of availability in specialised fabrics and low value addition in apparel.

"We have a very narrow fabric base and this comes in the way of producing value added apparel. Winter wear is a bigger business worldwide, which India is not able to tap optically. We have now begun developing specialised fabrics and working with polyester and blended fabrics to increase our production of globally acceptable winter wear," says Premal Udani, chairman of Kaytee Corporation.

"Most of the winter wear globally comprise non-cotton fabric, where India still lags, since it predominantly exports cotton-based fabric and apparel," says Sanjay Jain, managing director, TT Ltd, and vice-chairman of the North India Textiles Research Association. "There is a dire need to improve our winter wear export, so that capacities are utilised through the year."

About 70 per cent of Kaytee Corp's Rs 80 crore of apparel exports is summer wear. "We desire to bring this ratio up to 60:40, if not 50:50, in the near future," adds Jain.

The Apparel Export Promotion Council (AEPC) says the period between May and October is when the industry receives orders for winter wear. While average monthly apparel export during the period of summer wear tends to be $1-1.2 billion, the May-October period sees a dip in average monthly export to $700-800 million.

"There is potential for at least another $200-300 mn worth of apparel export if winter wear production and export are pushed," says a senior AEPC official. "Since the country doesn't manufacture the required speciality fabrics meant for producing winter wear, most of it has to be imported. AEPC has been pushing for a duty cut in the import."

For 2013-14, AEPC has set a target of $17 bn worth of apparel export. The figure from April to December 2013, the first nine months of the financial year, is $10.5 bn.

[Back to top]

Textile & garment exports may hit $40 bn this fiscal

Financial Express

New Delhi, 7 March 2014:India's overall textile and garment exports will likely rise 17.6% in the current fiscal from a year before but will still miss the target of $43 billion despite the depreciation in rupee, sources said on Thursday. The exports are expected to hit $40 billion in 2013-14 from $34 billion a year before, mainly on higher shipments of garments, cotton yarn, fabrics and man-made fibre, said the sources. However, textile minister KS Rao said late last month that overall textile and garment exports, which also include shipments of products such as raw cotton, handicrafts, jute, coir and handlooms, would at best miss the target by just $1 billion.

According to the provisional data, textile and garment exports hit $20.43 billion in April-December, up 13.4% from a year before. This is because the rupee depreciated 11.6% between April and December this fiscal than a year before to an average of 60.79, making the shipments remunerative. Industry executives said after factoring in exports of raw cotton, handicrafts, jute, coir, handlooms, the overall textile and garment exports won't exceed $40 billion. "While rupee depreciation has helped, the rise in demand in the US despite a slow or fragile recovery in their economies resulted in the surge in exports," said DK Nair, secretary-general of Confederation of Indian Textile Industry. Moreover, demand from new markets has helped and "it seems after a long time we are back on track on garment exports", he added.
Having slid by nearly 6% in the last fiscal and seeing a drop in 10 months of 2012-13, garment exports started picking up since March as the domestic currency continued to fall. Soaring costs in China and problems in compliance of global safety norms at Bangladeshi mills helped India's export growth, industry executives said.

[Back to top]

Textile exports make a comeback in FY14

Indivjal Dhasmana

New Delhi, 26 April 2014: Textiles were the only star turn in an otherwise humdrum Indian export performance in 2013-14.

Cotton fabric exports grew 19.90 per cent to $8.07 billion in the first 11 months of 2013-14, accelerating from 8.30 per cent growth in the same period of 2012-13. Cotton garment exports grew 8.14 per cent to $8.15 billion and synthetic fabrics and made-ups grew 12.95 per cent to $4.63 billion in the first 11 months of 2013-14 against contractions of 14.19 per cent and 12.47 per cent, respectively, in the comparable period of 2012-13.

"The currency fluctuation helped us. We became more competitive and were able to rework our pricing. Also, we were able to grab the Chinese market share because they were selling at a higher price," said HKL Magu, an apparel exporter who supplies to Calvin Klein, Superdry and Next.

Magu is expecting a 15 per cent rise in his 2013-14 turnover and sees demand surging in 2014-15. Not only exports, India's textile production grew 4.6 per cent in April-February 2013-14 even as the index of industrial production shrank by 0.1 per cent.

Recovery in merchandise exports overall was slow in 2013-14, despite the rupee's depreciation. Exports rose just 4.43 per cent to $281.82 billion in April-February 2013-14 against a 2.62 per cent decline in the corresponding period of 2012-13. The rupee depreciated over 11 per cent, year on year, during April-February 2013-14.

Though export data for the previous financial year shows a rise of 3.98 per cent from the prior year, disaggregated numbers for most items are available only till February. Trade revival was marred by the two largest components of India's export basket: crude oil and petroleum products, and gems and jewellery. Drugs, to an extent, also slowed the recovery. Exports of crude and petroleum products, which constitute a fifth of India's total outbound shipments, climbed 2.13 per cent to $56.56 billion in April-February 2013-14 from $55.38 billion in the corresponding period of the previous year, when they had grown 9.15 per cent.

The average price of Brent crude fell to $107.59 a barrel in 2013-14 from $110.12 in 2012-13. Lower realisations ensued as refinery products fetched less. Sluggish overseas demand also contributed.

"The rupee's depreciation is not helping because global demand is low. Our petroleum exports are not elastic to price," Madan Sabnavis, chief economist of CARE Ratings, a credit rating agency, said.

Ajay Sahai, director-general and CEO of the Federation of Indian Export Organisations (FIEO), attributed the slow growth in petroleum product exports to low rates in global markets. Reliance Industries' latest results show exports from its two refineries reached $41.1 billion in 2013-14, up 4.5 per cent from $39.3 billion in the previous year. The company's exports had climbed 9.16 per cent in 2012-13 from $36 billion in 2011-12.

Exports of gems and jewellery, where data is available for the full year, contracted 8.86 per cent to $39.5 billion in 2013-14 from $43.3 billion a year ago as the government curbed the import of gold, a key raw material. Jewellery exports had shrunk 3.3 per cent in 2012-13.

The government hiked the import duty on gold for a third time in eight months to 10 per cent last April, besides seeking export of 20 per cent of imported gold.

Vipul Shah, chairman of the Gems and Jewellery Export Promotion Council, said, “More than other curbs on gold imports, I will ask for cutting down the import duty on gold. In that case, exports of gems and jewellery can grow 15 per cent this financial year, as the world markets are recovering.

Like previous years, three export lines apart from petroleum and jewellery crossed $10 billion in 2013-14: transport equipment, machinery and drugs. As regulatory strictures hit Indian drug companies in the US and other advanced markets, pharmaceutical exports climbed 2.71 per cent to $13.55 billion in April-February 2013-14 from $13.17 billion in the corresponding period of the previous year, when they had grown 10.97 per cent.

Utkarsh Palnitkar, partner and head of the life sciences practice at consultancy firm KPMG, said 40 per cent of India’s drug exports head for markets that have strict inspectors and this chunk could be hurt by regulatory zeal. Exports to markets like Africa and West Asia, which make up the remaining 60 per cent, would remain insulated from the erosion, he added.

Transport equipment exports rose 19.53 per cent to touch $20.05 billion in April-February 2013-14 from $16.77 billion in the same period a year ago, when they had fallen 13.67 per cent. India’s automobile industry may be struggling with slowing sales at home but foreign markets provided them succour in the previous financial year. Among other significant items of export, machinery was up 6.66 per cent at $14.17 billion in April-February 2013-14 against $13.63 a year ago, when they had grown 5.79 per cent. Electronic exports declined 4.72 per cent to $6.96 billion, steel rose 30.36 per cent and basmati rice 42.32 per cent.

R S Sheshadri, director at Tilda Riceland, one of India’s leading basmati rice exporters, attributed this to the 20-30 per cent increase in price Indian basmati fetched in the international market in 2013-14 as compared to the same period last year. Though, volume wise there might not have been a significant rise in basmati rice exports.

[Back to top]

Impressive start: Apparel exports grow 14% in April

Financial Express

Chennai, 13 May 2014: Apparel exports have begun the fiscal with an encouraging growth pattern. In the first month of April, exports grew 14.33% to $1.3 billion as compared to $1.1 billion in the same month in 2013, the Apparel Exports Promotion Council (AEPC) has said.

Virender Uppal, chairman of AEPC, said in a statement: "India is currently the seventh largest apparel exporter in the world with a market of 3.2%. China, Bangladesh and Vietnam are the other large developing suppliers in the global market who have been able to make it bigger by easier import policies."

A number of factors such as stringent labour laws, compliance issues, availability of MMF (man-made fibre) and blended garments, short production cycles to capture markets for all seasons, simplification of export procedures so as to reduce transaction cost and time, mitigating power cost disadvantage, high export credit and tariff disadvantage in major markets have inhibited growth and are responsible for the performance in the last fiscal, despite the best push made by the industry, he observed.

Appreciating the role of garment exporters, Uppal said: "The Indian garment manufacturing sector has the highest potential and it needs to increase competitiveness to generate more employment and boost apparel exports. This can only be achieved by enabling a facilitative business environment, given its critical role in fostering growth in manufacturing. The need is to simplify the regulatory system and ensure fair competition among players."

According to him, the central government should help the industry in reducing the cost of inputs, ensure availability of raw material and affordable credit for the industry. "The AEPC has been aggressively advocating for such measures from time to time, including easier import of fabrics of consistent quality standards at competitive prices," he added.

The AEPC raised a number of issues related to procedural simplifications for smoothing out trade which can be done without much financial implications or changes in policy. The council is hopeful that the new government will pay attention to exporters' demands and will come up with an industry-friendly foreign trade policy soon.

[Back to top]