Inefficient supply chain, inconsistent policy take sheen out of cotton textiles

LN REVATHY
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Despite the Centre's support to the Indian textile industry, the sector, stakeholders say "has been losing its sheen" on various fronts.

From scale of operation to poor expansion or investment in post-spinning operations — be it weaving or processing, rising labour costs, inconsistent fibre policy, lack of level playing field to remain competitive on the export front, inordinate delay in signing of FTAs (Free Trade Agreements) and the inefficient supply chain seems to have pushed the cotton textile industry in the country to a tight spot.

Such issues were discussed at a panel discussion on "Is Indian Cotton textiles losing its competitiveness?"

The event — the second in the Agri Conclave series — was powered by *BusinessLine* in association with Multi Commodity Exchange (MCX).

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Garment exports hit

Prabhu Damodharan, Secretary, Indian Texpreneurs Federation (ITF), said the garment sector in the textile value chain is at its lowest ebb, losing out to low cost countries such as Vietnam and Bangladesh, as they enjoyed LDC (Least Developed Countries) status. "The LDC has given these countries an edge over our exports. Exports from these countries are cheaper 10 per cent at the threshold level and there is no social compliance."

Could the scale of operation be our detriment considering that most of the factories in the textile value chain, in the post-spinning area are small and medium units?

"The spinning sector has established a benchmark, but scaling is required in post-spinning operations, particularly in weaving, processing, knitting and garmenting. Though not at the scale of operations in China, there is a need to scale up in garmenting. Lack of access to capital and the size of operation has put them in a disadvantageous position," observed Susindaran, Chief Executive Officer, Kay Ventures.

Effluent discharge norms

Suresh Manoharan, Secretary, Perundurai SIPCOT Textile Processors' Association, said in processing, the challenges faced by the industry are innumerable, on account of zero liquid discharge (ZLD). "We are now converting water pollution to air pollution," he said in a lighter vein, before adding that the ZLD had pushed the cost of production northward by 20-25 per cent.

"This condition (of ZLD) is imposed only in western Tamil Nadu. Further, the processing sector is capital intensive, and the margins – practically nil." S Dhananjayan, senior auditor and advisor to Tirupur Exporters' Association, said the knitwear cluster had to conform with various compliances such as ZLD and social compliance, which, in turn, resulted in a 10-15 per cent rise in production cost, making the operations unviable.

"After the roll-out of GST, and with the government extending some cushion by way of ROSL (Rebate of State Levies), we thought the sector would get some breather. But post-GST, the sector has started to choke for want of working capital. This is expected to hit our bottom line by 4-5 per cent. It is a devastating blow."

Market size, demand

Deepak Mehta, Head - Agri & Energy, MCX, stressed that price risk management is important for the cotton sector. "The market size is huge at ₹65,000 crore and in 2017-18, the risk cover was only to the extent of ₹9,000 crore," he said, urging the participants to utilise the MCX platform more aggressively.

Earlier, delivering the key-note address, G Chandrasekhar, commodities market specialist, said that rising income and the "natural" fibre status would increase the demand for cotton. "The domestic demand is given, but the challenges in supply could impact. As India integrates with the global market, the stakeholders must take a 360 degree vision, as the cotton prices here will be decided by what is happening globally."

J Thulasidharan, President, Indian Cotton Federation, said there is no specific quality standard on cotton quality in India, but quality per se of the cotton produced here is good.