



President's Speech

63rd Annual General Meeting of Northern India Textile Mills' Association held on 25.09.2020 thru' Video – Conference.

Good Afternoon

Before we start the meeting, as a mark of paying respect to the deceased Members,

Let us all observe 1 minute silence in honour of the NITMA members

Late Shri D L Sharma ji of Vardhaman Textiles Ltd and

Late Shri K C Sharma ji Ex EP of Chenab Textiles, who have passed away recently.

- 1. It is with great privilege and honour that I welcome you all on behalf of our Members to NITMA's 63rd Annual General Meeting. I thank each one of you from the bottom of my heart for attending our AGM today. We deeply appreciate your participation and support, in the present uncertain times, due to the looming Covid-19 pandemic. Your valued presence shows your urge for strengthening NITMA and to strive for resolving various issues confronting the textiles sector. I am certain that you will continue to extend your active involvement and support for the successful implementation of our programmes and activities. I am grateful to every one of you for your valuable contribution towards NITMA's growth and that of Textile Industry.**
- 2. The economic situation in the current year has seen many significant changes. But its outcomes and results could not realize our expectations. This is partly due to the continued economic slump in the global and domestic economy and of late due to the new challenges due to the onslaught of the Covid-19. We saw the declining global trade since 4th Quarter of 2018; it had turned negative in the 3rd quarter of 2019. The WTO says a 3 % decline of world merchandise trade in the 1st quarter of 2020 would only partly indicate the covid-19 impact. The full economic impact of the virus and associated containment efforts are expected to be clear in the 2nd quarter results. But the WTO's Goods trade barometer of June 2020 reveals signs of recovery in the case of export order indicator, which is a sign of relief for manufacturing.**
- 3. India's real GDP growth rate slowed to 3.1% in the final quarter of FY2020, reflecting the impact of the first week of the COVID-19 lockdown which began on March 25, 2020. The RBI has projected a subdued economic performance in Q1 & Q2 of 2020-21, with a sign of recovery to begin from Q3 and will gain momentum in Q4 with the restoration of the supply chain to**



normalcy and gradual revival of demand. If we go by the above projections, the next couple of years are going to be tough for India. USA and EU which are the major markets for not only Indian MMF based apparels but for all type of apparels were under complete lockdown due to the present crisis. Retail stores of various brands like M&S, H&M, etc who use to Source from India are completely closed and thus affecting the Indian T&A manufacturers.

4. The economic condition of India is not different from rest of the world. In recent period, we are observing drastic decline in the economic activities due to lockdown and lack of demand. Our cumulative Textile exports during April - March 2019-20 had shown a decline of 7.55 % compared to the same period in the previous year. Of late, India's cumulative textile exports during April 20-August 20 period has shown a drastic decline of 32.25% compared to the same period in the previous year. Further, In the case of commodity-wise exports, for Man-made Yarn/Fabs/made-ups etc. the decline in exports for the cumulative period April20-Aug 20 was a huge 44.68% compared to the same period in the previous year. This severe and continuous declining trends show the depth of impact of this unprecedented crisis. It also indicates urgency for a big stimulus for revival.
5. In the case of Textiles production indices of June 2020, the decline is alarming, as we are unable to compare the figures of June 2020 with the figures of the previous year of the same month. Further, with CPI inflation showing signs of higher levels as compared to the RBI's comfortable inflation rate of 4 %, the purchasing power of the masses are reducing. However, the only sign of relief for the economy is the forecast of bumper harvest for the agriculture due to the above normal monsoon, which could generate the most wanted demand for T & C in early period of FY20-21.
6. As you are aware Indian textile industry has been struggling during the last few years due to the glut in the market conditions and the sudden impact of COVID has made Textile & Clothing (T&C) industry to incur huge losses and face severe financial stress. This could lead to an unprecedented liquidity crisis in the Textiles industry. The banking sector is hesitant to lend due to uncertainty of cash flows. The entire textile industry is part of single supply chain and inter-dependent of each other regardless of its sizes. Keeping this in mind, we have represented various levels of the Union Government and also the RBI to address these grave concerns of the Textiles sector for its survival. Further we have requested the government to support this important sector immediately with a stimulus package so that it can get rid of the adverse situation. We have also represented the RBI to immediately take measures to address the liquidity crises in the industry.



7. The Reserve Bank of India had, on August 7, 2020, announced the constitution of an Expert Committee under the chairmanship of Shri K.V. Kamath to make recommendations on the required financial parameters to be factored in the resolution plans under the 'Resolution Framework for Covid19-related Stress' along with sector specific benchmark ranges for such parameters. The Committee has recommended financial parameters that, inter alia, include aspects related to leverage, liquidity and debt serviceability. It has also recommended financial ratios for 26 sectors which could be factored by lending institutions while finalizing a resolution plan for a borrower. The recommendations of the Committee have been broadly accepted by the Reserve Bank and as a follow up the Reserve Bank announced specifying five specific financial ratios and the sector-specific thresholds for each ratio in respect of 26 sectors to be taken into account while finalising the resolution plans. To understand the implications of the RBI circular and the Kamath Committee's report, NITMA has organized a webinar on Sept 18th 2020 with Edelweiss for the benefit of members to understand the implications of these parameters on Textiles sector and seek clarifications in the meeting on how it can help us in alleviating the looming financial stress.

8. Our Textile Minister Hon'ble Mrs. Smriti Zubin Irani, after taking charge as the Cabinet minister for Textiles for the second term has been addressing all issues concerning the sector and strives to bring out policies and programmes to improve the growth and competitiveness of this important labour intensive sector, which have about 80% of its units under the MSMEs segment and having a total employment is about one crore workers both directly and indirectly, next only to agriculture sector. Under the able leadership of HMOT, the Team at the MOT has been undertaking a host of initiatives to assist and support to attract new investment opportunities in entire value chain including Cotton, Synthetics, Speciality fabrics, Fabric processing for all kind of natural and synthetic textiles, Technical textiles, Garments and Retail brands. NITMA has been extending wholehearted support for the success of all the programmes and schemes of the Ministry of textiles and encourage members to get maximum benefit from them.

9. We are happy to note that the government has initiated a slew of special measures to help ameliorate the conditions in textile sector due to Covid pandemic and to boost production, marketing and job opportunities in this sector as the impact of the pandemic is most severe in the Textiles sector as it has a higher share of unorganized activities.

10. We at NITMA, wholeheartedly welcome the Government's 'Aatmanirbhar' or self reliant policy initiated for economic expansion and strengthening. It intends to make India economically stronger with enhanced capacities that would help us as a trusted partner and contribute better to the world.



11. We are glad to inform that during this COVID period India has taken major strides like ramping up our daily production of PPE to over half million from virtually nil earlier and being self-sufficient in testing kits, masks, ventilators, etc. These measures will reinforce our credibility as a reliable, trustworthy and empathetic partner working for the common good. Many units in our region also ventured into this new area.

12. We appreciate the Government initiative to finalize a list of potential export products and against which exports of textile and apparel can be enhanced being arrived at in a meeting with stakeholders and EPCs. The list of potential export products were shared with the Indian Mission abroad for identification of potential buyers in the respective countries. This will help Textile exports grow.

13. Attaining competitiveness is the most important factor for excelling in Textiles. We welcome the move to make the textile sector competitive by rebating all taxes/levies in international market by continuing the RoSCTL (Rebate of State and Central Taxes and Levies) scheme until such time the RoSCTL scheme is merged with Remission of Duties and Taxes on Exported Products (RoDTEP) scheme. We are happy that Government has approved adhoc allocation of Rs. 7398 crore for FY 2020-21 for issuance of duty credit scrips under RoSCTL scheme. We expect the government will announce an inclusive RoDPET scheme benefiting the entire value chain including the Yarn and Fabrics segments, considering it as value addition processes.

14. Cotton Fibre availability at international prices is important for growth of the spinning industry. With a bumper Cotton crops in the coming season, India's cotton stock would be at a record high. To clear stock Cotton consumption has to be increased based on increasing export of Textiles and Apparels items made of cotton. Government is willing to support cotton in the new RoDTEP. We need to work with others on this with specific suggestions for including cotton Fibre and Yarn in the RoDTEP scheme which is to be formulated in the place of MEIS. We need to pursue closely to include Yarn and some cotton products in the phase I and some more in phase II stage of the new scheme.

15. Issues on cotton procurement and supply by the CCI also need attention for specific policy intervention and monitoring. Huge stock is forcing CCI to sell at a discounted rate, which is mostly bought by MNCs and Traders who in-turn sell at a higher price and or hedge thereby creating price instability in the market. Continuing this will lead to increase in cotton price and create huge challenge before the Mills, as their competitiveness depend on availability of the raw material- cotton, at reasonable price, without much daily fluctuations. Hence Government



needs to devise policies for supply of Cotton for Large spinning units on similar lines of that of MSMEs.

16. It is appropriate that CCI to have policy to sell limited cotton to Consumption and not for hedging and speculative trading. To maintain competitiveness of the cotton value chain, Indian Cotton prices should move in tandem with that of international prices. A level playing field should be provided to domestic industry especially the yarn manufacturers. Important thing is how we can work to make Cotton Yarn available in India at International prices to make Indian Tex. Industry strong. With MSP as direct subsidy, cotton prices will remain high from November, yarn prices can't be compensated.

17. Availability of raw material at international prices is critical for competitiveness. NITMA has been representing at various levels of the Government for providing a level playing field for the Mill sector. Due to ADD on Acrylic Fibre, the growth of its downstream segment has been adversely affected. NITMA have been engaging with Ministry of Textiles and also Commerce Ministry for stopping this high duty situation on the AF. We are happy to inform that the DGTR in its ADD review order has significantly reduced the anti-dumping duty of the Acrylic Fibre from US\$ 162 per M. Ton to US \$ 15.87 per M. ton in the case of exports from Thailand, for Thai Acrylic Fibre and in the case of Dralon, an EU based producer, NIL duty was declared for exports from EU. As Dralon and Thai Acrylic hold about 95% of the Acrylic Fibre exports to India This is an important victory for large units of the Acrylic Fibre industry which were reeling under high levels of anti-dumping duty for more than 2 decades.

18. Viscose textile segment has been demanding for removal of ADD on the Viscose staple fibre for long for providing a level playing field so that they get this key raw material at international prices. It will help the entire textile value chain and spur growth and will be a game changer for improving Competitiveness. Apart from VSF imports being cleared at the full duty of rate of 5 %, the user industry face a host of restrictive practices in the domestic market as VSF being produced by a single producer in India, added to this it is charged with high rate of anti-dumping duty. VSF attracts ADD of 0.103 USD to 0.512 USD per kg for the imports even from countries like Indonesia resulting in its high domestic price thereby making the Indian viscose based downstream value added textile products uncompetitive globally, while Indian Mills avail VSF at an expensive rate, its counterparts in Indonesia and Vietnam enjoy a price advantage. Indian VSF industry is complex with only one VSF producer in India who monopolizes the customers with their pricing policy. The domestic VSF player has been successful in getting Anti-dumping Duty imposed on imports of VSF from all the producing countries – Indonesia, China, Thailand etc. NITMA has represented to MOT to recommend for abolishing ADD on VSF, existing for 10 years. Once removed this would help for a holistic



growth of the textiles sector. Our MSME segment, especially the power loom segment is not able to gain advantage of the indigenous fibre.

19. There has been a surge in imports of Polyester Staple Yarn into India from major Indonesia and Vietnam due to very low prices with the existing anomaly in the India- ASEAN FTA, which is hurting the domestic Polyester Yarn segment. Due to this FTA, the raw material for making Yarn, i.e. Polyester Staple Fibre is being cleared at full customs duty of 5 %, whereas the finished product, that is Polyester Staple Yarn is cleared at zero duty. We have requested both MOT and MoC&I for urgently correcting this anomaly while reviewing the FTA. Due to this inversion of duty rate, there has been a surge in imports of yarn to India, resulting in material injury to the domestic yarn producers and may lead to closure of many small scale units.

20. The DGTR has initiated an ADD investigation in May 2020 to examine the large imports of Yarn based on our petition for placing anti-dumping duty to arrest large imports from China, Indonesia and Vietnam. About 15 to 20 % of the total consumption of Yarn is being imported and about 50,000 tons in one financial year thus causing injury to the domestic Mills and the downstream value added segments. It is expected that based on the realistic data and analysis the investigation will be completed on time and the expected protection will be given to the domestic Mills sector to strengthen the domestic manufacturing in India.

21. We wholeheartedly welcome the Government's bold move for abolition of anti-dumping duty on Purified Terephthalic Acid (PTA), which is a critical input for man-made textile fibre and yarns. PTA's easy availability and competitive pricing is desirable to unlock the immense potential in textile sector which is a significant employment generator. It will boost the production and exports in MMF sector and unleash a new growth path for Indian Polyester Textile value chain.

22. Technology development is most critical for Textiles sector's growth and Competitiveness. To alleviate the difficulties of beneficiaries under Amended Technology Upgradation Funds (ATUFS) a special measure was initiated by MOT during the COVID pandemic. Under this measure, an option has been extended to the applicants, where the physical examination of the machineries by Joint Inspection Team (JIT) has been completed, to avail their subsidies released on submission of Bank Guarantee. The advance release of subsidy against bank guarantee is met from the regular budget allocation under ATUFS.

23. We welcome the initiative for creation of National Technical Textiles Mission with total outlay of Rs 1480 Crore. Technical textiles are textiles which are used for their functional properties, which are used in important applications such as agriculture, health and hygiene, medical applications, soil and water conservation, roads and highway, railways, airports, sea-ports, defence, protection of personnel in military, para-military, petrochemical/chemical industries, safety of fireman etc. The aim of the Mission is to position India as a major producer,



consumer and exporter of technical textile products in the world map, therefore boosting its economy and technological capability.

24. We are happy that the Government is implementing various policy initiatives and schemes for supporting the development of textile sector. These schemes and initiatives which promote technology upgradation, creation of infrastructure, skill development and sectoral development in the textile sector, create a conducive environment and provide enabling conditions for textile manufacturing in the country and helps in boosting textile sector through its various schemes.

25. There are views that due to a host of factors including rising wages in China, Japan encouraging its units to come out of China, many labor-intensive Textiles and garment sector may moving out of China. This may be a great opportunity for India a next wave of investments in Textiles sector. This can be realized, provided we should be ready with an attractive and encouraging FDI and investment policy which should be coherent and holistic national policy encouraging investments. Otherwise, we run the risk of losing them to countries like Vietnam.

26. NITMA is also involved on the skill development front, we are happy to inform NITMA has applied as an implementing agency under SAMARTH scheme, run by the Ministry of Textiles. The assessment of the scheme is under progress by the MoT and the result is awaited. But due to Covid 19 pandemic NITMA's skill development project in Punjab under PSDM is temporarily suspended by Govt. of Punjab. As you are aware Punjab skill development mission of Government of Punjab has empanelled us as Training Partner. We have also registered online with National Skill development council and first work order received.

Acknowledgments:

We express our sincere gratitude and thanks to all members for providing an opportunity of heading this prestigious association and for extending all the help, cooperation and support.

NITMA has taken several initiatives to improve the competitiveness of the industry. We would like to take this opportunity to express our sincere gratitude to heads of various associations, other trade & industry bodies and special invitees for supporting us.

We extend our sincere thanks to Honourable Minister of Textiles Smt. Smriti Zubin Irani and his team in the Ministry of Textiles for taking several steps and continue to give us direction and guidance. It gives us new hopes and confidence that under her able leadership and guidance, the industry will move forward. We are also grateful to the past and present Secretary of Textiles, Additional Secretary, Joint Secretaries and other officers in the Ministry of Textiles. We extend our gratitude to Sh. Piyush Goyal ji, Hon'ble Minister of Commerce and Industry, and Sh. Som Parkash ji Hon'ble Minister of State for Commerce and Industry, Secretary Commerce and



senior officers in the Ministries of Finance & Commerce & Industry for their help and cooperation in supporting our issues.

I would also like to convey my sincere thanks to Past Presidents and the present Senior Vice President Shri Mukesh Kumar Tyagi ji and Vice President Mr. Aman Gupta ji for sharing my responsibilities and extending their effective help and support in discharging my duties as President, NITMA.

I am equally grateful to all my friends in the Executive Committee, Associate Members and others for extending their active cooperation and support. I would like to acknowledge the special efforts of all my friends in the Managing Committee of NITMA who have taken lot of personal interest to take up the issues and concerns of the members and I hope they will continue their close association with the activities of NITMA and their profound support will go a long way in finding solutions to the problems concerning our industry.

We are thankful to office bearers and committee members in CITI, SIMA, TMMA, PHD, FICCI, CII, ICAL, Texprocil, SRTEPC, TSC, DMA and their Chairman, Vice Chairman & SG's and other associations for their help and support. Our special thanks to statutory auditor M/s. THAKUR, VAIDYANATH AIYAR & CO, Chartered Accountants, for their guidance and support. We would also like to thank the media, our bankers and service providers for supporting us. We would like to place on record the work and support extended by NITMA secretariat and the Secretary General for the successful execution of several activities and handling of various issues.

Finally, we once again thank all the members for their valuable contribution and cooperation and request them for their continued support and guidance to NITMA for the benefit of the industry.

Since the complete details of the association activities have been given in the annual report, I am glad to invite your views and valuable suggestions on the textile industry scenario and the various challenges, both internal and external to improve the competitiveness and explore new opportunities.

Thank you.