CITI CONFEDERATION OF INDIAN TEXTILE INDUSTRY

May 23, 2016

Shri Anil Swarup
Secretary
Ministry of Coal
Government of India
A-Wing, Shashtri Bhawan,
Dr. Rajendra Prasad Road,
New Delhi – 110 001

Subject: Considering Textiles as a separate sector in forthcoming e-auction of FSA/Linkage

Dear Sir,

Confederation of Indian Textile Industry(CITI) is the apex industry chamber of the textile producers and represents the entire spectrum of textile value chain from spinning, weaving, fabric processing, garmenting and others. It was set up in 1958 and presently has 8 Member Associations as regular Members, 4 other industry associations as Associates Members and over 4000 members. Besides this, Chairmen of Cotton Textiles Export Promotion Council (Texprocil), Synthetic and Rayon Textiles Export Promotion Council (SRTEPC) and Apparel Export Promotion Council (AEPC) are members of the Committee of CITI on reciprocal basis.

CITI lead contributions include shaping Government initiatives like The Technology Upgradation Fund Scheme, The Technology Mission on Cotton, the Debt Restructuring Package and significant rationalization of the excise duty structure for the sector

This communication has reference to the proposed **e-auction of existing coal linkages allotted through FSA/LOA route** to non-power consumers by dividing these consumers in three categories as (i) Steel and sponge irons, (ii) Cement and (iii) others. The 'others' category includes a large number of industries which may have different manufacturing and trade dynamics than textile industry, which is one of the prime industry of national importance in terms of its contribution to export earnings and employment generation. Our submission is that keeping the textile industry in 'others' category clubbed with a large number of other types of industries is not desirable in view of textile industry' required competitive strengths for international trade. The textile industry uses coal for generation of steam required for production process as also the captive power plants, many of which are of co-generation nature. The textile industry by its very nature is a low margin and highly competitive industry. The production process of this industry is energy and power intensive. For Indian textile industry to be globally

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competitive, it is important that the factor costs are competitive and power and steam costs are major cost components of this industry. Therefore, there is a need to consider the textile industry as a separate category in itself. The case of textile industry for separate category is explained below:-

Textile industry: Profile

- Textile industry contributes 5% of India's GDP, more than 10% of exports and about 6% of India' industrial output. Presently,
- Indian textile industry size is about USD 110 bn comprising of USD 40 bn textile and clothing exports and about USD 70bn domestic market.
- The industry is projected to grow to about USD180 bn by 2025 under conducive policy framework.
- The most prominent feature of the textile industry is that it is the largest industrial employer (39 mn workers directly employed) in the country and holds the largest potential for creating millions of jobs for unskilled workers especially females.
- The importance of the textile industry in terms of contribution to India's manufactured exports, negligible level of imports, thus net contribution to foreign exchange is immense. It is also reflected from that import intensity of Indian manufacturing which has been growing except textiles. Out of 21 commodity groups, textile exports are the largest net foreign exchange earning contributor of USD 17bn in December 2014-May 2015 period, when Indian exports has shown a declining trend.

The challenge ahead

Textile is a highly globally competitive and low margin industry. China, Pakistan, Bangladesh and Vietnam are the major competitors. The increased share of Bangladesh and Vietnam in world textile trade is a live example that this industry needs to be very competitive.

As already explained, the textile industry is highly power intensive and both power and process steam costs constitute significant part of conversion cost (about 50-60%) especially in textile material segments including yarns and fabrics. In such a situation, availability of power and process steam at competitive price and quality of power in terms of consistent supply are prerequisite for the growth of the textile industry.

Keeping in view the aforesaid factors, the large players in textile industry have setup captive power plants. Most of these captive power plants are of co-generation nature. The co-generation based CPPs use coal energy in an optimum fashion and are encouraged and promoted by Govt. of India also through various policy measures.

If the textile industry is compelled to compete with the other industries, many of which can be high margin industries and /or with energy costs being relatively a smaller component of the costs, the coal sourcing costs of textile industry will go up impacting its competitive position severely and adversely. There is also a possibility that many units of the textile industry may not be able to source coal due to higher prices in ‘e ‘auctions leading to curtailment in their operations. Such an adverse impact on the health of the textile industry will hurt manufacturing in India as also affect employment generation and overall economic growth of the country. It is therefore, imperative that the textile industry is treated as a separate category in itself, besides steel and sponge, cement and others categories.

This is our submission that keeping in view the importance of the textile industry to the national manufacturing and creation of employment especially for unskilled people including women workers, a separate category for textile industry may be formed in the forthcoming e-auction of coal linkages.

We shall appreciate if suitable opportunity can be given to us to explain our case in person.

Thanking you,

Yours sincerely,

(Naishadh Parikh)
Chairman

c.c.: Shri R.K. Sinha, Joint Secretary, MoC, Govt of India

May 23, 2016

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