INDIAN CHAMBER OF COMMERCE

Press Note from Indian Chamber of Commerce

INDIAN TEXTILE INDUSTRY ONLY HOPING A STRONG START AGAIN

Indian Textile Industry which is the second largest provider of employment is now facing a crunch in cash flow to meet salaries, interest, power bill and other basic expenses. The spreading tentacles of Covid-19 have put a break on the Cotton and textile sector leading to cancellation and deferment of orders on a very large scale.

Collapse of economic activities due to Covid-19 Pandemic has now has raised existential questions for the $108 billion textile industry.

India's export of textile and garments are likely to decline by 40% in coming months due to halt in shipment to Corona virus (Covid -19) affected countries.

ICC emphasises on behalf of the industry, on a bailout package for losses in Forex contracts after the lockdown prompted cancellation of orders that were to fetch payments in dollars.

There is a severe shortage of raw materials including dyes and chemicals and also non-woven fabrics. Not only the international buyers are cancelling or deferring orders, but the domestic manufacturers, exporters of garments, home textiles are also cancelling or deferring orders for supplies of yarn, fabrics from the manufacturers, and thereby forcing curtailment of production.

The industry now wants the Government to implement the adequate relief measures and come up with a large assistance package to help get rid of the crisis.

ICC also suggests the smooth movement of ready, in-transit consignments to the ports for shipment is a dire necessity at this hour.

There is a need to reduce petroleum product rates so as to have impact on freight & other cost for industries. Similarly the coal cost for industry should be reduced significantly for next one year. There is also a need to reduce coal price. Coal is a basic fuel for generation of electricity. Levy of coal cess @ Rs. 400 / MT under GST regime without input credit resulted into a cascading effect and also higher power cost for manufacturing industry. Therefore, the Government should remove cess of Rs. 400 / MT on coal or allow input credit of cess paid on coal where the coal is used by manufacturing industries for generation of power, steam or in manufacturing process.

Among the worst hit are weavers across West Bengal, who suffered huge losses as their exports slumped. While India's export fell by 10% in the last five months, garment export fell by 7% as per reports.

Indian Chamber of Commerce recommends the following significant measures for the MSMEs:

Physical documents essential for banks for making any type of transaction and thus during this lockdown as movements are restricted has created a virtual shut down across industry. Government intervention is requested for release of payments without providing documents during this period, the documents may be submitted once the lockdown period is over.

RBI may be requested to extend the period for export receivables from Nine months to Twelve months.

To consider exemption of international courier services from the present lockdown as banks have to send export documents to foreign Banks but courier companies are not taking documents, as a result, importers are unable to get the consignment released. Due to this issue, the payments are stuck.

The Exports of Textile and Clothing products may be considered to be brought under Essential Commodity Act.

Creating provision for subsidy / assistance for Inward freight and compensating the exporter/s for the goods which are coming back to the country. The assistance for such abandoned goods may be in form of discounts etc.

RBI should relax norms for NPAs for one year.

Exporters should be allowed to retain 10% of GST payable for the next 12 months.

Providing additional 30% working capital to the exporters at 7.25% interest for exports without any collaterals and margin money to meet the working capital needs, pay salaries etc. and also to the employees to meet other expenses.

Revision in policy of refund against previous Scheme for Rebate of State Levies (ROSL) for Made ups exporters and implementation of the online module for application can be done at the earliest. Implementation of the module will reduce the Working Capital issues of the Made up Exporters. Delay in implementation of the ROSL Scheme and withdrawal of MEIS will have retrospective effect.

Creation of provision for cancellation of forward contracts without levying any cancellation charges.

Providing support to the exporters to withstand the Logistics/ Shipments problems faced by them as major ports are not functioning normally, even entry of the exporters are closed at major ports. As a result, exporters are incurring detention charges 24 x7. Necessary permissions / instructions may be given to all local authorities to allow trucks / tempos etc. that are carrying goods to the ports for exports.

To release claims under the TUF scheme without waiting for JIT inspection / verification reports as this will ease liquidity for exporters.

Every crisis creates its own opportunity. Product innovation may be important to gain the market share. There is a need to do study on the markets in all directions- horizontal or vertical which may come up as potential favourable destinations for textile and clothing industry geographically or in a product category especially when the leading markets like US, Spain, Portugal, Italy etc. and even the United Kingdom have virtually come to standstill.