Speech

by

Dr. K V Srinivasan

Chairman

at the

66th

Annual General Meeting

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TEXPROCIL

THE COTTON TEXTILES EXPORT PROMOTION COUNCIL

Speech by Dr. K V Srinivasan, Chairman at the 66th Annual General Meeting

Friends,

It gives me great pleasure to extend a warm welcome to all of you at the 66th Annual General Meeting of our Council being organized on a hybrid virtual platform for the first time.

The 66th Annual Report and Audited Accounts along with the Auditor's Report for the year ended 31st March 2020, setting out the financial results and major activities undertaken by the Council during the year under review are already with you.

With your permission, I take them as read.

Global Economic Outlook

As the fiscal year 2019-2020 ended, the entire world came under the grip of a spreading pandemic, the like of which has not been seen since the pandemic of the 'Spanish flu' that affected about one-third of the global population, a hundred years ago.

The onslaught of the COVID-19 pandemic has ripped through not only the Indian textile and clothing sector but almost all the sectors of the Indian economy, whether manufacturing or services.

The contagion has morphed into an unprecedented challenge with severe socio-economic and health consequences not only for India but for countries around the world. The crisis has also strained global relationships, disrupted supply chains and has created a trust deficit.

As expected, the forecast of global economic outlook at least for the next three quarters presents a grim picture of the prospects for international trade impacted as they are by the COVID-19 pandemic. The WTO's latest projection has forecast the world merchandise trade volume to decline by (-) 9.2% in 2020.

As per the WTO Report, historic contraction of per capita income will likely plunge most countries into recession, with the advanced economies projected to shrink 7% and the emerging market and developing economies forecasted to contract by (-) 2.5%, if not more.

Considering that the second wave of the pandemic has re-surfaced, the global economic recovery is expected to be gradual for much of the current fiscal year. In India, the expectation is that the pre-COVID levels are likely to be reached by the third quarter of 2021-2022, about a year from now.

The crisis highlights the need for concerted action to gain lost ground due to fragmentation of global trade and supply linkages; and thus set the stage for a lasting recovery.

Prospects for India

Winston Churchill is often quoted as saying, "Never let a good crisis go to waste". This crisis also presents an opportunity for all of us, even though the impact of the pandemic in shaping the new world order is still uncertain and unknown.

It is however getting clear that although the current pandemic is global but the solutions to the challenges need to be local. The important levers of change are thus likely to be ownership of value chain, technology push, operating flexibility, supply chain resilience and adaptable cost models.

It is noteworthy that despite reduction in demand and the excess capacity burden weighing heavily on their business, the trade and industry has been persistent enough to re-assess the existing costs and price structures with a view to de-risking their businesses.

A sterling testimony to the entrepreneurial skills and spirit and the ability to rise to the occasion and live up to the demand of time was seen in India's remarkable achievement in the production of PPE suits (a need of the hour), where the country achieved self-sufficiency in 90 days.

World Merchandise Trade

For the record, the value of world merchandise exports decreased to US$ 18.88 trillion in 2019 from US$ 19.46 trillion in 2018, marking a decline of (-) 2.98% mainly on account of trade tensions and slow economic growth. However, the share of textile and clothing in overall merchandise trade in 2019 increased marginally to 4.16% from 4.12% in 2018.

World Trade in Textile and Clothing

The world trade in textile and clothing reported a decline of (-) 2.13% in 2019 over the previous year, reaching a level of USD 785 billion. Out of this, clothing accounts for a share of 57%, while textile accounts for the remaining 43%.

The top ten suppliers of textile and clothing exported goods worth USD 545.03 billion to the world during the period January-December 2019, accounting for a share of 69.42%.

In 2019, India achieved a level of USD 35.50 billion in exports of textiles and clothing, marking a decline of (-) 4.44% over the previous year. At 6th position, India's share in world trade in textile and clothing is estimated to be 4.52% during the year.

China continued to lead the world in the exports of textile and clothing with exports valued at USD 260.57 billion and a global market share of 33.19%, inspite of registering a marginal decline of (-) 2.24%.

Amongst the top ten markets, Vietnam recorded the highest growth rate of 8.54%, followed by Bangladesh growing at 4.07% during January-December 2019. Exports from Turkey, and the Netherlands also recorded positive growth during 2019.

Exports of Cotton Textiles

In 2019-20, exports of cotton textiles from India declined by (-) 11.87% to a level of USD 10.19 billion from USD 11.57 billion in the previous year. While exports of cotton yarn declined by (-) 29.14% in value terms during this period, cotton fabrics showed a growth of 2.33% in value terms. Exports of cotton made-ups, on the other hand, declined by about (-) 5.61% during the fiscal year 2019-20.

In FY 2019-20, the share of cotton made-ups was 49%, cotton fabrics was 24% and cotton yarns was 27% in the total exports of cotton textiles from India. Export of cotton fibre, from India also declined by (-) 49.52% during the fiscal year 2019-20 in dollar terms.

An era of Challenges

Friends, as we moved ahead in the current fiscal year 2020 -2021, the challenges especially in the export sector became apparent and acute as the pandemic became a reality, notwithstanding the fact that the pre-pandemic year 2019 was already dotted with risks and uncertainties.

Events such as the future of the European Union following Brexit, trade tensions between China and the United States, a return to protectionist policies in some parts of the world were all casting their shadow across global trade.

Since early March 2020, India was also not an exception to the pandemic shocks that gripped the world. The efforts to contain the coronavirus included a complete lockdown and the resultant worker migration led to an unforeseen financial and humanitarian crisis severely affecting economic growth whereby the GDP saw a steep contraction of 23.9% for April-June quarter during the current fiscal year.

According to the data released recently by the National Statistical Office, the GDP in the second quarter (July-September) of the current fiscal year contracted by 7.5%. According to reports, India has entered a technical recession in the first half of 2020-21 for the first time in its history, as there have been two consecutive quarters of contraction in GDP.

Recovery & Growth Strategies

Considering the scale of the spreading pandemic in a large and diverse country like ours and the consequent severe lockdown government tried to mitigate the hardships by announcing various fiscal stimulus packages across the sectors for giving immediate relief. These comprised of a moratorium on loans, redefining the criteria for Small & Medium Enterprises (SME's) and placing emphasis on an 'Atma Nirbhar Bharat' (Self Reliant India).

However, the industry was looking forward to short-term direct benefit transfers and financing and timely refund of dues which became the need of the hour to tide over the crisis created by the Corona pandemic.

The benefits offered by the government, on the other hand, were targeted more towards the medium to long term with a belief that 'supply push will create demand pull'. The stimulus was thus directed more towards the systemic concerns rather than individual industry needs by way of direct money transfer.

Steps taken by the Government

Some of the relief measures undertaken by the government are mentioned below:

i) In a welcome move, the government removed restrictions on the exports of all types of masks.

ii) The government has also extended the validity of the RoSCTL scheme from 31.03.2020 to 31.03.2021 or until such date the scheme is merged with the RoDTEP scheme, whichever is earlier.

iii) The government has also extended the CGST exemption on airfreights and sea freights related to exports by one year from 30.09.2020

iv) The office of the Textile Commissioner has relaxed the timelines for the submission of applications for UIDs and JIT Inspections under the ATUF scheme and has also notified a checklist for the Joint Inspection Team (JIT) for physical verification of machineries which will be followed by its Regional Offices.

v) The Department of Revenue has started implementing the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 from September 21, 2020, on all imports on which preferential rates of duty are claimed in terms of a trade agreement.

vi) DGFT has issued the much awaited Notification to implement the ROSL scheme for the pending claims. The Department of Revenue has also issued Notification for the implementation of the scheme by the Customs. The online application form for ROSL has also been activated on the DGFT website so that exporters of Made ups and Garments can start applying for the duty credit scrips under the scheme.

vii) The government has undertaken reforms in agriculture. With more favourable laws in place, cotton textile exporting firms can now look forward to reaching out to the farmers for 'contract farming' and work closely with them on farm development goals that assure better productivity and yields.

viii) The government has also brought about far reaching changes in Labour Laws which have a direct bearing on labour intensive sectors like Textiles and Clothing. 44 labour laws have been subsumed under 4 codes. The four Codes include: a) Code on Wages; b) Code on Industrial Relations; c) Code on Social Security; d) Code on Occupational Safety, Health and Working Conditions.

ix) The global competitiveness of Indian MSMEs has been enhanced by widening the definition of Small and Medium Enterprises (SME's) by increasing the limits on investment in plant & machinery and turn over criterion. As per the new definition, micro units can have upto Rs 1 Crore investment and turnover of Rs 5 Crore. Businesses with an investment of upto Rs 10 Crore and turnover of upto Rs 50 Crore will be classified as small. A company with upto Rs 50 Crores investments and upto Rs 250 Crore turnover is classified as a medium enterprise. While working out the turnover limit export turnover will also not be factored in, thereby ensuring wider coverage.

The change in definition has enabled many textile and clothing enterprises to retain their MSME status and get the benefits and concessions. It also augurs well for scaling up operations.

x) The Government is also trying to address the need to develop alternative routes of transport by developing new trade routes or reviving the old ones that existed before. In this connection, the Council submitted a Report to the Ministry of Textiles on the feasibility of using 'Inland Waterways Transport' as an alternate mode of transportation for EXIM trade with Bangladesh in view of the prolonged congestion in the land routes at Petrapole / Benapole border.

The gradual removal of trade restrictions and implementation of reform measures are certainly facilitating export growth.

Agenda for Action

Friends, as we cope with the uncertainties in our businesses, the short to medium term economic outlook will depend on how we handle the 'second-wave' of infections. Already there are reports of lockdowns in the UK, Germany, France and Belgium, as the pandemic rears its head.

In such a scenario, Government Policies and export benefits under the Foreign Trade Policy, Duty Drawback and any restrictions under the FTAs/RTAs which India has signed or proposes to negotiate with other countries / regions will continue to impact the competitiveness, pricing and exports of our products.

It is in this context, that the Council has been providing the Government with the necessary inputs/suggestions for the formulation and implementation of appropriate trade and commercial policies so that an enabling ecosystem for accelerated growth of exports of cotton textiles is created.

The Council interacted extensively with the Ministry of Textiles, Ministry of Finance (GST Policy Wing, Department of Revenue), Ministry of Commerce & Industry and other

Government bodies like the office of the DGFT, RBI and the Textile Commissioner.

In addition, the Council has been regularly emphasizing, the need for maintaining stability of variou policies without abruptly withdrawing any export benefit having financial implications for the exporters.

Goods & Services Tax (GST)

The Council continued it's efforts to provide guidance to the exporters on various GST matters. The Council also played a proactive role in helping the exporters in getting refunds of GST by taking up specific cases with the concerned GST Commissionerates and the Customs department.

Duty Drawback Scheme

The Council made a presentation on the duty drawback proposals for cotton textiles products before the members of the Drawback Committee and had several meetings in New Delhi with officials from the drawback department to explain the proposals.

Rebate of State and Central Taxes and Levies (RoSCTL) scheme

The RoSCTL scheme was introduced for Made ups and Garments w.e.f. March 7, 2019. Since it was a new scheme exporters had initially faced some problems in complying with the requirements and in filing applications online for duty credit scrips under the scheme. The Council did the necessary hand holding and provided all kinds of assistance to the exporters.

The Council intervened in resolving a large number of cases where the EDI shipping bills did not appear on the DGFT website as a result of which exporters were unable to apply online for the duty credit scrips under the scheme.

With regard to the scheme, the Council had proposed to the Government to credit the RoSCTL amount directly to the exporter's bank account instead of the scrip route as in the case of the erstwhile ROSL scheme.

Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme

The Government has given its approval for introducing the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP). "Those taxes/duties/levies that are not covered under GST, and are not refunded for exports, such as, VAT on fuel used in transportation, mandi tax, duty on electricity used during manufacturing etc. would be covered for reimbursement under the Scheme".

The Council has proposed to the Government to include Cotton Yarn, Fabrics and Made ups under the RoDTEP scheme and also submitted the relevant data.

TUF Scheme

The TUF Scheme has attracted over Rs. 4 lakh Crores of investment and has enabled the Indian Textile & Clothing industry to enhance it's global competitiveness by attracting investments in modern technology. The Scheme needs to be given a new lease of life by removing the cumbersome protocols being followed by the Joint

Inspection Teams (JITs) which are causing unnecessary delays in disbursements.

The Council sincerely hopes that the issues related to disbursement of committed liabilities will be sorted out in the near future. At the same time, we would like to commend the efforts being undertaken by the Government to resolve the issue of pending claims/ refunds under the TUF Scheme.

Internal Challenges

During the year many of the exporters had been classified in the "Risky Category" and many others were put in the "Alert List" by the Customs as their banks failed to update the EDI Shipping Bills on the IT based system called Export Data Processing and Monitoring System (EDPMS) of RBI after realization of export proceeds.

The Council represented to CBIC to issue necessary instructions to the field formations of Customs & GST in the matter along with providing the necessary assistance and guidance to its members in getting themselves out of the "Risky Category". The Council also took up many such cases with RBI and the Customs and helped the exporters to get themselves out of the "Alert List".

External Challenges

Friends, in today's competitive landscape, external challenges assume greater significance, given a rapidly changing global trade scenario, regional chains graduating to global value chains and new free trade agreements, including mega trade agreements being negotiated. Therefore, a targeted export strategy that identifies and boosts the right products to the right markets is imperative for achieving double-digit export growth.

Need for FTAs

Indian textile products face discriminatory duties in key markets like the EU member states. These duties range from 3.5% to 8% for fabrics and 9.6% for madeups in the EU. On the other hand, imports from competing nations like Bangladesh, Cambodia, Vietnam, Pakistan and Turkey are considered duty free in these markets.

As a part of the ongoing effort, the Council has impressed upon the government, the need for a level playing field for Indian exports to the EU vis-à-vis competitors like Bangladesh, Pakistan which have zero duty access under the Everything But Arms (EBA) and GSP “plus” Scheme, respectively. On the other hand, importers in the EU have to pay a duty of 9.6% when they import comparable goods from India.

We have also pointed out to the Government that India is steadily losing market share to Pakistan in 40 items (Apparel – Madeups) as almost 87% of Pakistan’s T&C products have “zero-duty”. On account of this, Pakistan’s exports have increased by 50.5% from a level of US$ 4,180 million in 2013 to US$ 6291 million in 2019.

On the other hand, India’s exports to EU have stagnated between US$ 8,629 million in 2013 and US$ 8,682 million in 2019 with a negligible growth of 0.6%.

With the European Commission extending the GSP+ status to Pakistan till 2022, it will continue to enjoy preferences on its exports to EU countries and will in all probability reach India's level of US$ 8 billion in T&C exports by 2022, while Indian exports will continue to remain stagnant!

It is thus imperative that the Government addresses the situation by expediting the Free Trade Agreement with European Union which has been pending for a long time. An early trade agreement with Britain after it leaves the European Union should also be fast tracked.

There are other Countries also, like China, Korea and Turkey where India is losing it's market share on account of preferential tariffs given to our competitors which also need to be addressed on priority.

Enduring the 'New Normal'

Friends, the world, it has been stated is witnessing the emergence of 3-D's viz., De-Globalisation, Digitalising and De-Coupling which are likely to define trading patterns in the coming years, especially in the light of China-US trade war and our own border issues with China. This basically would mean greater reliance on localism, contact-less businesses, and re-engineering of supply chains.

In the wake of these developments, textile firms worldwide are adopting a new 360 degrees approach aimed at a total re-evaluation of their business models, post the recent pandemic.

In India, the impact of COVID-19 has left everyone in the textile industry thinking about whether they are large enough to take on the opportunities and how they can overcome the issues of saving lives and ensuring livelihoods arising from the spreading pandemic.

Instead, the country needs to step up its marketing efforts. Along with developing competencies to deliver the right products to the right markets, India should take the Brand route and spend more resources on R&D activities. In this context, the recent launch of a national brand for Indian Cotton, viz. "KASTURI "is a step in the right direction.

As is becoming apparent, in the post-pandemic world businesses are trying to de-risk by dealing with multiple suppliers instead of relying on a single-supplier. India stands to gain from such market opportunities, given its strong presence in cotton-based apparels and finished goods.

In order to derive wider gains in trade in textiles and clothing from India, exporters also need to focus on what the market needs rather than what they can offer.

TEXPROCIL – The facilitator

Friends, the Council played an important role in taking up the problems faced by exporters in their day to day interactions with the Government bodies such as Customs, GST Commissionerates, ICEGATE, GSTN, Regional offices of DGFT, RBI, Banks, ECGC, etc.

Besides, the Council also provided the necessary assistance to its members in getting their IGST and Input Tax Credit refunds, and refunds of pending duty drawback and ROSL amounts.

I must appreciate the Council for putting in place a vigorous system to deal with various queries from member-exporters on policy and procedural issues, wherein clarifications are issued without delays.

Commitment to Quality

I am also happy to inform you that the Council has successfully renewed its present Quality Management System (QMS) certification of the standard – ISO 9001:2015.

Despite the pandemic derailing the normal business processes, the Council participated in the compliance audit with a determination to continue offering superior communication and objective driven programmes in a productive manner. This shows our commitment to providing quality service to all our members.

Acknowledgements

Friends, during my tenure in office as Chairman of TEXPROCIL, we have undertaken wide-ranging export promotional activities with an endeavor to effectively achieve our sectoral targets. Time and again we have critically evaluated the practicality of our strategic approach and advocated activities that would contribute to meeting the diverse needs of the industry and our membership.

Thanks to the work put in by the excellent team at TEXPROCIL comprising of Executive Director, Director and Joint Directors; who are all knowledgeable, dedicated, focused, and capable of rising up to any challenge; TEXPROCIL has been able to achieve most of its objectives, if not all.

Today, as I demit office, and hand over the charge to my successor, I cannot help imagine a 'New World' taking shape where a thrust on technology is changing the way we think and do our businesses. The emergence of e-commerce and it's growing market share is a case in point.

I am happy to note that the Council, for the first time, conducted the virtual edition of 'Ind-Texpo' exhibition on the digital platform in September 2020. The event was quite successful considering that the Council and the exporters were participating in a digital event for the first time.

Friends, the Export Promotion Councils play a vital role to bridge the gaps between the government and industry; importing and exporting countries; and importers and exporters. In today's challenging world the EPCs require to take a re-look at their Charter and transform themselves to meet the needs of changing times and be able to support the government in navigating the complex web of issues relating not only to external trade but also domestic engagement.

From a unidimensional role of marketing and policy advocacy, EPCs need to develop competencies in diverse areas like skill development, international collaboration, design development and interacting with State Government for State and District based export plans etc., to name a few.

I am sure that in the years to come the Council would enhance its engagement in these areas.

Before I conclude, I would like to take this opportunity to place on record my sincere thanks on behalf of the Council and members of the Committee of Administration to Smt. Smriti Zubin Irani, Hon'ble Union Minister of Textiles & Women and Child Development for her benign counsel and leadership. The Hon'ble Minister has been very supportive of the efforts put in by the textile industry and her personal involvement in resolution of many pending issues has helped in the revival of the sector.

We are also grateful to Shri Ravi Capoor, Secretary (Textiles) for his continued guidance and support to the various promotional programmes of the Council.

We are immensely grateful to Shri Piyush Goyal, Minister for Commerce & Industry for taking various policy initiatives in the interest of the trade and industry aimed at increasing the exports, providing pragmatic solutions to the various issues confronting the textile sector.

We welcome the new Textile Commissioner Ms. Roop Rashi and are hopeful to receive her continued support for the growth of the sector. We are also grateful to Shri Moloy Chandan Chakrabortty, Former Textile Commissioner for his active support to the various promotional initiatives undertaken by the Council.

The Duty Drawback Committee headed by Shri G K Pillai along with the Committee Members Shri Gautam Ray and Shri Y. G. Parande have been extremely receptive to the suggestions made by the Council and we are indebted to them for positive consideration of recommendations made by the Council.

I would like to convey my sincere thanks to Shri Manojj Patodia, Vice Chairman for sharing my responsibilities and making my task lighter and easier.

I thank all my colleagues in the Committee of Administration and other Sub–Committees for their active cooperation and support.

Finally, I would like to thank the TEXPROCIL team headed by the Executive Director, Dr. Siddhartha Rajagopal, for carrying out their duties with diligence, determination and dedication.

Thank you.

NOTES

Indian Cottons, Global Reach !