

TEXTILE INDUSTRY IN INDIA AND PRESENT SCENARIO OF POLYESTER INDUSTRY OF INDIA.

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ABSTRACT: Indian Textile Industry occupies a very important place in the economic life of India. It contributes to the Indian Economy through generation of employment, output and export earnings. In the financial year 2006, it has been found out that the contribution of this industry amounts to 14% of the total output generation by the industrial sector. Indian Textile industry's contribution towards GDP has been estimated to be hovering around 4% which itself is a commendable one. Textile has been one of the main sources of income for the Indian economy through export. The total share of the Indian Textile Industry in the total earnings from export has been calculated to be 16.63%, as estimated by Ministry Of Textiles, India. This industry has shown the potential of being one of the largest employment generating industries of the Indian economy. On a direct basis, Indian Textile Industry employs a whopping thirty five million people and more. In terms of employment generation, textile industry has come up to the second position, just after agriculture.

Introduction:

The record of ancient and medieval Indian textiles exists mostly in literature and sculpture. There is archaeological evidence of a cotton textile industry at Mohenjo-Daro in the Indus Valley around 3000 B.C., and a few fragments survive from much later periods. Most of the extant textiles are dated after the seventeenth century, because the monsoon climate has been very destructive to early specimens. The Greeks with Alexander the Great wrote of the fine flowered muslins and robes embroidered in gold they had seen in India. They may also have seen the cotton fiber that grew on trees.

Indian Textile Industry occupies a very important place in the economic life of India. It contributes to the Indian Economy through generation of employment, output and export earnings. In the financial year 2006, it has been found out that the contribution of this industry amounts to 14% of the total output generation by the industrial sector. Indian Textile industry's contribution towards GDP has been estimated to be hovering around 4% which itself is a commendable one. Textile has been one of the main sources of income for the Indian economy through export. The total share of the Indian Textile Industry in the total earnings from export has been calculated to be 16.63%, as estimated by Ministry Of Textiles, India. This industry has shown the potential of being one of the largest employment generating industries of the Indian economy. On a direct basis, Indian Textile Industry employs a whopping thirty five million people and more. In terms of employment generation, textile industry has come up to the second position, just after agriculture.

History of Textile The history of textile is almost as old as that of human civilization and as time moves on the history of textile has further enriched itself. In the 6th and 7th century BC, the oldest recorded indication of using fiber comes with the invention of flax and wool fabric at the excavation of Swiss lake inhabitants. In India the culture of silk was introduced in 400AD, while spinning of cotton traces back to 3000BC. In China, the discovery and consequent development of sericulture and spin silk methods got initiated at 2640 BC while in Egypt the art of spinning linen and weaving developed in 3400 BC. The discovery of machines and their widespread application in processing natural fibers was a direct outcome of the industrial revolution of the 18th and 19th centuries. The discoveries of various synthetic fibers like nylon created a wider market for textile products and gradually led to the invention of new and improved sources of natural fiber. The development of transportation and communication facilities facilitated the path of transaction of localized skills and textile art among various countries.

Indian Textile The Indian textile industry is the second largest in the world second only to china. Indian textiles also account for 38 percent of the country's total exports and are therefore, a very important industry. The forecast is that textiles exports will reach USD 35 billion by the years 2012. To sustain this growth, it is imperative that the textiles industry produces goods of high quality at reasonable prices. This means that the industry must continuously moderate its machinery. Therefore, the textiles machinery industry sector has an integral role to play in the growth of India's export industry.

Cotton cultivation is done by small farmers with very small farms and with improper technology and methodology. This has resulted in Indian yields becoming the lowest in the world - 40 per cent of the world average and only 15 percent of Israel's yield. Even African nations have better yields.

At a time when the industry is facing competition in the external and domestic markets from lower cost nations the Government's policy is fragmenting the industry through concessions to the SSI segment and hand processing units instead of helping consolidation and installation of state-of-the-art technology-the-precise reason for the Technology Up gradation Fund not taking off in downstream segments (weaving, processing and garments) despite huge concession. Despite this the industry is slowly consolidating and focusing on exports and branded garments.

Segments of Indian Textile Industry:

1. Organized Textile Industry is a highly organized one with immense importance on capital intensive production process. This sector is characterized by sophisticated mills where technologically advanced machineries are utilized for mass production of textile products.

2. Unorganized Textile Industry sector is the dominant part in this industry which mainly utilizes the traditional practices (woven or spun) in cloth production and hence is labour intensive in nature. This industry is characterized by the production of clothes either through weaving or spinning with the help of hands.

The decentralized nature is considered as another important feature of the unorganized textile industry in India.

Position of the Indian Textile Industry in the World Textile Economy: India contributes 20% to world spindle age capacity, the second highest spindle age in the world after China. It contributes 6% to the world rotorage and 62% to the world loomage. However in High-tech Shuttless Looms this industry's contribution is only 4.1% to the world Shuttless loomage. 12% to the world production of textile fibers and yarns is from India and is the largest producer of Jute, second largest producer of silk and cellulose fiber / yarn, third largest producer of cotton and fifth largest producer of synthetic fibers / yarns.

India's key assets include a large and low-cost labour force, sizable supply of fabric, sufficiency in raw material and spinning capacities. On the basis of these strengths, India will become a major outsourcing hub for foreign manufacturers and retailers, with composite mills and large integrated firms being their preferred partners. It will thus be essential for SMEs to align with these firms that can ensure a market for their products and new orders.

Growth of Indian Textile Industry: Growth along with the investment of an industry depends heavily on the economic health of the country. Indian economy grew rapidly during the fiscal year 2006-2007 posting a growth rate of 9.4% p.a. Not only this, India has been performing significantly in the last three years where its average yearly rate of growth has been estimated to be 8%.

The fruit of economic growth has trickled down to people of the state which can be evidenced from the rising per capita income of India. Statistics reveal that during 2001-2007 (up to March 2007) the per capita income of India has increased by sixty two percent and has reached the level of Rs.25,778 or US\$ 581.37 per annum. One of the most beneficial class of this economic growth saga has been the middle income section of the society. The total strength of this class in absolute terms has been found out to be 216 million which is expected to rise to 351 million by 2010. The major demand that is being generated is by a new class of people from the booming IT-BPO sector who are still at their prime age and are outwardly fashion savvy. This has generated huge demand for fashionable dresses which has consequently led to the emergence of some world class Indian designers with their latest fashion apparels.

Growth of Textile Products Table

Years	1998 - 99	1999 - 00	2000 -01	2001 -02	2002-03	2003 -04	2004-05	2005-06	2006-07
Production of Fibres (Miln. Kg)	845.87	898.11	967.9	900.85	980.82	1017.24	1084.14	1030.61	1105.84
Production of Yarn	3658	3940	4080	4063	4181	4170	4332	4637	4707

(Million Kg)									
Fabric Production (Million Sr. Mtr)	36127	39208	40233	42034	41973	42383	45378	49577	50023
Production of Textile Machinery (Million US\$)	270.32	256.70	286.9	225.64	243.48	292.52	371.98	500.34	54787

Source : Compendium of Textile Statistics 2006-2007

While the All India Wholesale Price Index rose by 4.6%, the textile group registered marginal increase of 0.1%. Exports started picking up momentum and increased by 20.54%. Significant increase was recorded in RMG (20.65%), Cotton Textiles (31.08%), Man-made Textiles (17.99%) and Wool & woolens (16.75%). However, exports of Jute Goods (-3.84%) is yet to make an upward trend. There was a surge in imports (13.36%), accounted by RMG (36.29%), Made-ups (40.11%), and Semi-raw material (21.45%).

1.5 Textile Mills: Textile Mills in India are the manufacturing plants for producing woven textile fabrics and related products. Textile mill industry can be recognized as one of the largest industries in India, providing employment to about 10 lakh workers. Major textile products manufactured by textile mills include yarn products, cotton yarns, blended yarn, synthetic yarn, specialty yarn, fabric products, woven fabrics knitted fabrics, woolen and acrylic blankets, blazer cloth, tweed and all kinds of woolen cloth. Major activities of textile mills in India include weaving, knitting, knotting, crocheting and pressing the fibers. For the last couple of years, Indian textile mills are experiencing tremendous growth.

Factors responsible behind the growth of Textile Mills in India: Some of the major factors responsible behind the growth of textile Mills sector are:

- An immense demand of Indian apparels and textiles in the international market, Low custom duties on imported textile machinery
- Less tight government restrictions on imported goods Major trading partners regarding import of textile machineries include U.S., Germany, Switzerland and U.K. India ranks second in the global textile industry and accounts a major portion to the overall Indian exports. For the sustenance of this growth and to maintain the competence in the international market, the textile mills in India need to be modernized.

Leading Textile mills in India

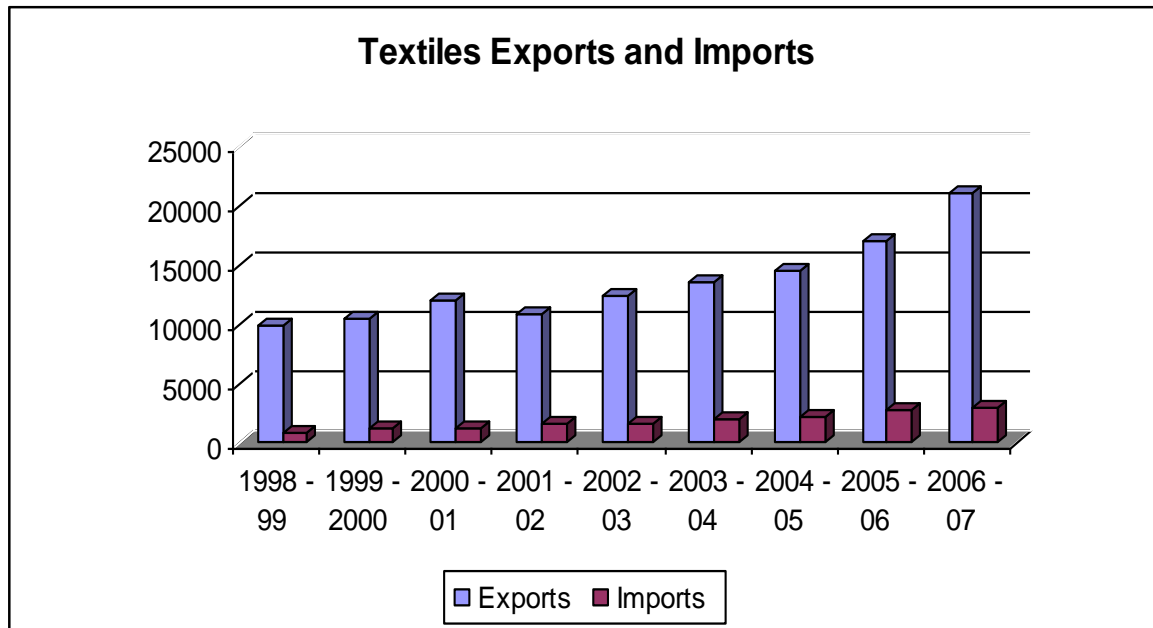
- Raymond Ltd., Mumbai ,Grasim Industries Ltd., Nagda ,DCM Textiles, New Delhi
- S. Kumars, Kolkata, Reliance Industries, Ahmedabad ,Mafatlal Industries, Mumbai Shreeji Trading Company, Surat
- Aravind Mills Limited, Ahmedabad ,Ashima Syntex, Ahmedabad Hisar Spinning Mills Ltd.

Product range :Some of the major products produced by textile mills in India are gazed and mercerized yarns, sewing threads, crochet and hand knitting yarns, industrial threads, yarn, grey woven fabric, dyed woven fabrics, grey knitted fabric, dyed knitted fabric, and garments like long coat, pant, shirt, bib pant, jacket coat and many more.

Textile Industry Exports: Textile industry plays a significant role in the growth of Indian economy and it is an important component of global trade. Textile industry accounts for about one third of India's total export earnings. It is regarded as the second largest industry of India and is the largest foreign export earner, accounting for 35% of the gross export earnings in trade. During 1992-93 and 2001-02, textile exports recorded an increase at a compound annual growth rate of 14.01%. Handloom and cotton are the two most significant sectors in textile industry. These two sectors together contribute the major portion of total textile export in India. Textile industry generally includes manufacturers, wholesalers, suppliers, and exporters of cotton textiles, handloom, woolen textiles etc. This industry has the potentiality of generating a large number of employment opportunities. About thirty five million people are already engaged with this sector.

1.6 Indian Textiles Exports and Imports

Years	1998 - 99	1999 - 00	2000 - 01	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07
Exports	9848.2	10521.28	12014.4	10801.0	12444.9	13532.04	14461.72	17112.62	21115.31
Imports	851.14	1128.59	1172.40	1537.10	1645.47	2021.96	2239.40	2678.94	2881.85



Financial Performance Analysis: It is the evaluation and interpretation of a firm’s financial position and operations, and involves a comparison and interpretation of accounting data. The financial manager has to interpret different statements. He has to use a large number of ratios to analyse the financial status and activities of his firm. He is required to measure its liquidity, determine its profitability, and assets overall performance in financial terms. This is often a challenging task, because he must understand importance of each one of these aspects to the firm ; and he should be crystal clear in his mind about the purposes for which liquidity, profitability and performance are to be measured.

1.7 Challenges in Textiles

- It should be admitted that adoption of world class technology, economies of scale and global manufacturing practices are very vital.
- It is time the industry takes a pragmatic outlook of its capabilities.
- This legacy stems from the fact that the industry was subject to whimsical adhoc policy regimes since independence.

India has most liberal and transparent policies in Foreign Direct Investment (FDI) amongst emerging countries. India is a promising destination for FDI in the textile sector. FDI is allowed 100% in the textile sector under the automatic route. FDI in sectors to the extent permitted under automatic route does not require any prior approval either by the Government of India or Reserve Bank of India (RBI).

Importance of textile: Economic development of a nation depends on multiple factors. Textile is important to compute development in both economic and welfare terms. The textile industry is the single largest foreign exchange earner for India. Currently India has the second highest spindle age in the world after china. Textile industry is providing one of the most basic needs of people and the holds importance; maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery unfinished products, with substantial value- addition at each stage of processing; it is a major contribution to the country’s economy. Its vast potential for creation of employment opportunities in the agricultural, industrial organized and decentralized sector & rural and urban areas.

Particularly for women and the disadvantaged is noteworthy. The textile in India has been a pioneer industry. India's industrialization in other fields sources generated by the textile industry. The textile industry contributes four percent to the country's GDP, 14 percent to industrial production and eight percent to indirect tax revenue, it employs close to 35 million persons-the second largest after agriculture- and accounts for 18percent on industrial employment. In the global context, India offers comparative advantage in the textile and apparel sector with its excellent raw material base, skilled manpower and cost

Problems faced by textile: Business concerns are facing severe competition in the present world of liberalized economy. The survival, growth and organizational success greatly depend on the efficient management of its finance. Company form of organization is followed in the economic development of a nation like India. But nowadays business failure in Textile industry is a worldwide phenomenon. It is no exception to India. The business failures in the textile industry in India have increased day by day. It affects not only the company, those employed by and trading with the company but also industry in general, the overall economy and trading with the well-being of the country.

Present scenario of Indian Textile: India Textile Industry is one of the leading textile industries in the world. Though was predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world. Indian textile industry can be divided into several segments, some of which can be listed as below:

- Cotton Textiles b)Hand-crafted Textiles c)Jute and Coir d)Silk Textiles e)Woolen Textiles f)Readymade Garments

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a vital role through its contribution to industrial output, employment generation, and the export earnings of the country.

- India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by 2020.

Export scenario: The Indian textiles and clothing industry is one of the largest contributors to the country's exports. The textile products continue to hold an important role in the

The latest status of exports of textiles from the country is given in the Table below:-

Items	2009-10	2010-11	April-October	
			2010-11	2011-12*
	Million US \$	Million US \$	Million US \$	Million US \$
Readymade Garments	10064.73	10627.99	5512.15	7088.74
Cotton Textiles	5711.41	8360.35	3466.96	4899.36
Manmade Textiles	3970.88	4643.06	2465.75	3215.49
Woollen Yarn, Fibrics	470.20	429.75	248.77	324.65
Silk Textiles	596.05	595.19	323.95	282.34
Handloom	264.85	365.48	185.89	324.14
TOTAL	21078.12	25021.82	12203.47	16134.72

Source: Foreign Trade Statistics of India (Principal Commodities & Countries). * as per latest figures available

GOVERNMENT INITIATIVES AND REGULATORY

Government Initiatives: The Government of India has promoted a number of export promotion policies for the Textile sector in the Union Budget 2011-12 and the Foreign Trade Policy 2009-14. This also includes the various incentives under Focus Market Scheme and Focus Product Scheme; broad basing the coverage of Market Linked Focus Product Scheme for textile products and extension of Market Linked Focus Product Scheme etc. to increase the Indian shares in the global trade of textiles and clothing. The various schemes and promotions by the Government of India are as follows -It has allowed 100 per cent Foreign Direct Investment (FDI) in textiles under the automatic route.

Welfare Schemes: The Government has offered health insurance coverage and life insurance coverage to 161.10 million weavers and ancillary workers under the Handloom Weavers' Comprehensive Welfare Scheme, while 733,000 artisans were provided health coverage under the Rajiv Gandhi Shilpi Swasthya BimaYojna.

E-Marketing: The Central Cottage Industries Corporation of India (CCIC), and the Handicrafts and Handlooms Export Corporation of India (HHEC) have developed a number of e-marketing platforms to simplify marketing issues. Also, a number of marketing initiatives have been taken up to promote niche handloom and handicraft products with the help of 600 events all over the country.

Skill Development: As per the 12th Five Year Plan, the Integrated Skill Development Scheme aims to train over 2,675,000 people within the next 5 years (this would cover over 270,000 people during the first two years and the rest during the remaining three years). This scheme would cover all sub sectors of the textile sector such as Textiles and Apparel; Handicrafts; Handlooms; Jute; and Sericulture.

Credit Linkages: As per the Credit Guarantee program, over 25,000 Artisan Credit Cards have been supplied to artisans, and 16.50 million additional applications for issuing up credit cards have been forwarded to banks for further consideration with Recent Developments Along with the increasing export figures in the Indian Apparel sector in the country, Bangladesh is planning to set up two Special Economic Zones (SEZ) for attracting Indian companies, and duty free trade between the two countries. The two SEZs are intended to come up on 100-acre plots of land in Kishoreganj and Chattak, in Bangladesh. In addition to the four functional SEZs, there are 13 in-principle approved, 19 formally approved and 12 notified SEZs in India. The scheme was introduced to neutralize the weakness of fragmentation in the various sub-segments of the textiles value chain and the unavailability of quality infrastructure.

Investment

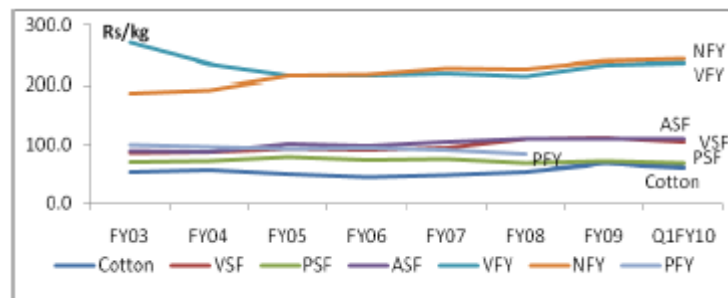
The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted foreign direct investments (FDI) worth US\$ 1.04 billion during April 2000 to November 2012.

Man Made Fibres(MMF): The Indian textiles industry is predominantly cotton oriented with cotton accounting for 59 percent share of total fibre consumption. However, globally the fibre consumption ratio is reverse, with MMF constituting 60% of fibre consumption. Globally, consumption of fibres has tilted in favour of MMFs over cotton due to various factors like changing fashion trends coupled with limitations to production of cotton. Even in India, the demand for man-made fibres has grown substantially over the last decade, as it has emerged as a major substitute for cotton. The demand for synthetic textiles has been growing due to its lower cost coupled with convenience and maintenance benefits associated with the usage of synthetic garments. The share of man-made fibres in total fibre consumption (cotton and MMF) has risen from 25% in early nineties to 41% at present.

During the last ten years, demand for man-made fibres has grown at a CAGR of around 3% from 1.6 million kg (FY99) to 2.4 million kg (FY09). Amongst all fibres, polyester filament yarn has recorded the highest growth of over 6% per annum. Steadily declining prices of PFY have been one of the major factors pushing its demand in the domestic market. Huge capacity additions during the post quota period have also helped in increasing the supply of PFY in the market, thereby pushing down the prices and hence increasing the demand. Also, rising cotton prices coupled with increasing exports of cotton and cotton based textiles helped polyester industry to capture some of the domestic market share from cotton.

PRICE MOVEMENT OF MMF: Over the last decade, prices of key man-made fibres like PSF and PFY have seen a steady decline, which has contributed to higher demand for same. One of the reasons for reduction in prices is the capacity build-up leading to economies of scale for key MMF manufacturers and gradual reduction of excise duty.

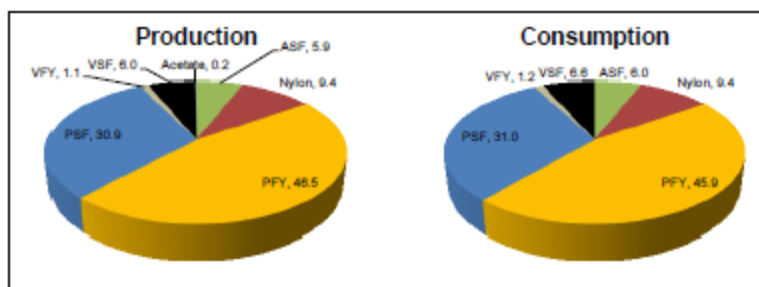
Price movement of fibres in India (graph)



Source: 2007-2008 Handbook of Statistics on MMF - ASFI

COMPOSITION OF MAN-MADE FIBRES: Globally, polyester is the most dominant man-made fibre, with a share of around 77% in total production and consumption of man-made fibres. It is followed by nylon, with a share of 9.4% and thereafter viscose, which constitutes roughly 7.7% share.

Composition of MMF's production and consumption (2007)



Source: World Fibre Report 2008

Polyester: Polyester accounted for a major share of 77% in the production and consumption of MMFs in 2007. This impressive performance of polyester can be attributed to a rapid increase in capacity of this fibre. Overall capacity of polyester has increased at a CAGR of 8% from 10,837 million kg in 1990 to 40,724 million kg in 2007. The period after the abolition of quotas witnessed a 70.6% increase in capacities of polyester to 36,376 million kg from 21,321 million kg in 2004. Among the varieties of polyester fibre, production of PFY increased by 14.4% y-o-y while that of PSF grew by 12.3% in 2007.

Issues and concerns:

Exclusively affecting MMF and MMF textiles

Excise duty discrimination: A major concern area has been the historical discrimination of man-made fibres and textiles against cotton and cotton textiles in the form of higher excise duties. Although there has been substantial reduction in excise duties on man-made fibres and textiles during the last 10 years, the current duties on MMF and MMF textiles are still high; while cotton is exempt from excise duty, MMF attracts excise duty of 8%. Further, while MMF textiles attract a mandatory CENVAT of 8%, cotton textiles have an optional CENVAT of 4%. Any reduction in excise duties on MMF and MMF textiles will have a highly positive impact on the growth of MMF consumption.

Lack of global competitiveness: Indian man-made fibres textile industry has not been able to create a mark in the global textiles market post dismantling of textile quotas even though cotton textiles industry has witnessed a substantial growth. Since dismantling of quotas (2005 onwards), Indian cotton apparel exports to the world have grown at about 10.7% CAGR, while MMF apparel exports have witnessed a decline.

Limited number of players: There are only a few big players manufacturing man-made fibres in India. The industry follows a pricing policy on import parity basis at landed cost. User industry has submitted that MMF producers

export man-made fibres at lower prices than in the domestic market. This submission is supported by SRTEPC exports data analysed by FIASWI in respect of polyester fibre and yarn.

Levy of anti-dumping duties: Indian MMF textile manufacturers are also faced with higher fibre prices as against their global counterparts on account of levy of anti-dumping duties on imports of majority of man-made fibres. This in turn affects the availability of fibres to MMF textile manufacturers at competitive prices.

Lack of indigenous production of specialized MMF: Various specialized man-made fibres (like acetate/ tri-acetate, cup ammonium filament yarn, nylon 66, nylon 11, spandex, etc) are not being manufactured in India despite having huge potential and thus have to be imported by the weavers.

High debt servicing cost: Another reason for relatively higher costs of man-made fibre/ filament yarn manufacturers vis-à-vis the cotton textile manufacturers and global counterparts is the high debt servicing costs of the former.

CONCLUSION:

- India Textile Industry is one of the leading textile industries in the world.
- Though was predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991.
- The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world.
- Currently, India has excess capacities for many man-made fibres/ filament yarns and these are adequate to meet the current and near future demand for man-made fibres.
- The changing consumer pattern in favour of man-made fibre based textiles; there is a need to assess the medium term and long-term demand for man-made fibres in India.
- The demand for man-made fibres depends upon the demand for yarns and fabrics, which in turn depends upon the consumption of finished textiles viz. apparel and made-ups.

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