

'Indian TEI Needs A Scheme Like TUFS To Grow And Modernise'

What is the present overall business scenario of the textile industry in terms of investment, profitability and business sustainability?

At the moment, there is some kind of a consolidation as well as a slowdown in the Indian textile industry. Even on the financial side, disbursements of loans have slowed down. For example, in the spinning segment, yarn inventory and cotton prices have gone up in the last couple of months, but yarn prices haven't! Fabric inventories are also high. I think until the demand side corrects itself, situation will not change. I think the present situation will continue for some more time.

How long do you expect the situation to continue like this?

Whenever I talk to people, their standard reply is "six months". However, that "six-month" period keeps getting prolonged. Six months ago, they were all saying that it will take "six months". Demand is simply not picking up. However, this year people have been telling us that despite the onset of the festive season, demand has not picked up, which I think is a bit serious. So, I really do not know how far this will go on.

What is A.T.E. doing for business sustainability and to tide over this kind of situation?

You asked me about business sustainability. At A.T.E., sustainability is extremely important. Diversification, in terms of filling up product gaps and strengthening product baskets where we see long term potential, has been part of our strategy. We entered the field of warp knitting several years ago, when nothing much was happening in that area. However, we believed that this technology will certainly be in demand over a period of time. Just as we had expected, three years ago, demand for this technology began picking up.

In fact, the past two years have been very good for warp knitting technology. Now, again there is overcapacity which has built up. So, fabric prices have begun falling again. It will take its own time to adjust. In the processing industry, there has been a huge backlog when it comes to its modernisation. We began to focus on processing a few years ago. We strengthened the textile processing side of our business because we always believed that investments in modernising the processing sector would continue for a very long time. This is because the backlog is huge. That helped us a lot, because today, A.T.E. is the only company which can offer end-to-end solutions for textile processing. We have also diversified across value chains. We are in spinning, weaving, knitting, (including circular as well as warp knitting), processing and finishing as well as garmenting.

In fact, we entered garmenting five years ago after we felt that the value chain is incomplete. We are also in technical textiles. We are also in to effluent treatment, which is another very important area. We can also provide lab equipment. In addition to these, we have also entered automation as well as remote monitoring of plants. We also have a group company which works on a clean air technology called 'comfort conditioning'. The company's name is HMX. Instead of air-conditioning, it gathers air from the outside and ensures a two-stage cooling. This technology gives a much cleaner and healthier air as compared to traditional air-conditioning. We have also diversified into flow technology and pumping, besides other areas.

What is your take on Goods & Services Tax (GST)? Will the cotton sector benefit once it comes under the tax net?

The biggest worry of the industry is the

There are only a handful of those who are well placed to understand the big picture at a time when the Indian textile industry is in the midst of unprecedented change. One of them happens to be **Gurudas Aras, Director, Textile Engineering Group, A.T.E. Enterprises Private Limited**, who spoke to **Textile Excellence** recently. We bring you the excerpts...



transaction cost in the supply chain. For example, cotton is grown in Gujarat and is transported to Tamil Nadu crossing several states. You will be surprised to know that the landed cost of cotton shipped from Gujarat to Shanghai in China, is actually less than the landed cost of cotton transported from Gujarat to Tamil Nadu! Then again, yarn has to travel back to weaving centres in Ichalkaranji and Bhivandi in Maharashtra, Surat in Gujarat and so on. Even North India-based spinning mills have to ship yarns to Gujarat or wherever weaving centres are located. All these inefficiencies are built into the costing. Now, let us come to the fabric sector. For example, Ichalkaranji in Maharashtra is the biggest centre of weaving, but there is no textile processing facility there. So, for processing, it has to be sent to either Surat or Ahmedabad or Mumbai. However, the story does not end here, since garment factories are entirely at different locations. So, you can imagine how problematic the supply chain is. All this adds to huge transaction costs. Due to this, we cannot be competitive at the end product stage. Now, let's look at GST. One big advantage will be - one country, one tax. GST will do away with different procedures to be followed across several states. Therefore, the textile industry feels that GST will not only add to the efficiency in the system, but also to productivity. Indian industry will have huge cost advantage once GST is in place. A saving of at least four to five per cent in terms of transaction costs is being expected, which is quite huge, in a competitive market. Now, I do not know what will be the percentage of GST imposed on textiles. Now, the taxation is zero to 12 per cent at different stages, from yarn to garment stage. People say that at the garment stage, it might be 18 per cent now. If that is indeed the case, then it will certainly affect the branded garments, whose price might go up. So, in one way GST could be disadvantageous if the rate is not reduced. Today, there is no level playing field. The small scale sector, like power looms, duty levied is virtually zero while the organised sector has to pay a higher duty. With GST, at least that anomaly will disappear. There will be a level playing field. So, there are certain advantages and certain disadvantages. The biggest negative factor which people anticipate is, probably having to pay a higher GST on apparel. They feel that it could be anywhere around 14 per cent to 18 per cent, but not less. However, the advantage is that tax would have to be paid only at a single location, rather than across several states. So, overall, I think it will certainly benefit the textile industry.

You have been meeting textile entrepreneurs very often. What do you think are the drivers which push them to adopt new technologies and processes?

People clearly see the benefits of modernisation. The Technology Upgradation Fund Scheme (TUFS) has really played a great role I would say, in transforming the industry. In spinning, I would say that around 75 per cent of the spinning sector has been modernised. Since spinning is in the organised sector, people could take the maximum advantage of TUFS. The second benefit which people have noticed is that new technologies focus on reducing energy consumption. In a textile mill, typically 60 per cent of the cost is due to raw material. The next cost factor is power consumption and so even if it reduces power consumption by two or three per cent, the saving is significant.

We have seen abrupt rise in cotton prices this year which nearly broke the back of the industry. What suggestions would you propose to withstand such situations?

This is not the first time it has happened. This industry is cyclic in nature. Towards the end

of cotton season there is hoarding and speculation as supply become limited. There are also significant information asymmetries and not everyone could really plan their cotton purchases. However, once the new cotton crop moves into the market, prices will automatically come down. Unless there is a very prudent cotton management policy which would involve buying at the right time and stocking, it would be difficult to control such situation.

What prospects do you see for integrated textile units in India?

Integrated units are certainly the future of the Indian textile sector. At a recent FICCI event, I said that the only solution to the woes being faced by the Indian textile sector is to put up integrated textile units. The other way is to set up textile parks where spinning to garmenting all are done at a single location. That way, there could be common utilities and common testing labs. Such sharing of resources will bring costs down and thus become competitive.

There has been a lot of focus by the government on employment generation and skilling of human resources in the textile sector. Do you see any growth in employment generation and skilling in the textile industry? What more could be done by the government and the industry in this regard?

Yes, I see a lot of positive things happening. A lot of training programmes are being conducted for textile sector workers. The government has provided a lot of funding to do so. Today, there is a problem of availability of labour. For example, many spinning mills are located in mofussil areas. Those who turn up to work in these spinning mills do not turn up when it is farming season. So, spinning mills actually struggle to get workers.

In fact, there has been a suggestion to include garment making under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Under MNREGA, the unemployed are guaranteed merely 100 days of employment, but in the textile sector, entrepreneurs are willing to provide them employment for 12 whole months of the year.

What other recommendations would you like to give the government?

I would like to urge the government that like the TUF scheme, a similar scheme should be formulated for the textile machinery sector. The overall textile machinery market in India is about Rs

16,000 crore a year. Out of that figure, hardly Rs 6,000 crore worth of machinery is produced by Indian textile machinery manufacturers. Even within that figure, I think that around Rs 4,500 crore worth of machinery is supplied within India, while Rs 1500 crore worth of machinery gets exported. So, this gap of nearly Rs 11,000 crore is actually met by importing textile machinery. In spinning, the situation is fairly good because we have some good manufacturers in India.

However, when it comes to manufacturing weaving looms or finishing machines, India stands nowhere. India does not have a single man-

ufacturer of airjet looms or rapier looms. Everything is imported.

So what you are saying is that if there is a scheme like TUF for textile machinery sector, domestic machinery and technology sector could get boosted, right?

That's right. Such a textile machinery oriented scheme is necessary because people are not coming forward to invest in manufacturing of say looms. So far, they were saying that there is no demand from Indian market to make looms here. However, now this situation has changed completely. In the last four years, on an

average, about 14,000 weaving machines get imported. Out of that number, roughly 3,000 to 5,000 are very high speed weaving machines which are imported from Europe and Japan. The balance 7,000 to 8,000 weaving machines are low speed rapier machines which are imported from China. Chinese machines have been catering to the lower end of the Indian weaving machine market.

If such a big volume is available, ideally some Indian company must come forward to manufacture at least these low speed rapier machines. After all, this is a big and sustainable market. The Indian government is

aware that weaving needs lot of modernisation. If we build weaving machine manufacturing capacity in our country, the market is readily available. In fact, I have been wondering why foreign companies have not set up shop here. I think if that has to happen, then the government has to incentivise manufacturing of such critical items. So something drastic has to be done here, because honestly textile engineering industry never gets any attention as it is a small segment within the heavy industries ministry. So, first thing that ought to be done is to bring everything related to textile machinery under the textile ministry itself. ■