BONANZA MAKES INDUSTRY SMILE

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About 8.1% higher allocation, Rs 134-cr allocation for Cluster Development Scheme, and a big push to Infrastructure are some of the bold steps taken in the Budget for 2022-23 that have made the industry smile with satisfaction.

The allocation for the textile sector for year 2022-23 in the Union Budget presented on February 1 by the Finance Minister Nirmala Sitharaman stands at about ₹12,382.14 crore, which is about 8.1 per cent higher than the revised budget allocation of 2021-22 which stands at about ₹11,449.32 crore. Budget allocation during 2021-22 initially was ₹3,631.64 crore, but it was later revised to ₹11,449.32 crore mainly due to increased allocation for procurement of cotton by Cotton Corporation of India (CCI) under 'Price Support Scheme' from ₹136 crore initially to ₹8,439.88 crore. For financial year 2022-23, the allocation is ₹9,243.09 crore, which is about 9.5 per cent higher than revised allocation of last year.

In the present Budget, the government has allocated about ₹133.83 crore for Textile Cluster Development Scheme, and hence the total budget allocation for Research and Capacity Building in textiles increased by 73.4 per cent to reach about ₹478.83 crore in 2022-23, as compared to revised budget allocation of ₹276.10 crore in 2021-22. The recently announced Production Linked Incentive (PLI) scheme and PM Mega Integrated Textile Region and Apparel (PM MITRA) scheme also saw an allocation of ₹15 crore each for 2022-23.

The government has also allocated ₹105 crore for the year 2022-23 towards Raw Material Supply Scheme, which has already been approved for implementation during period from 2021-22 to 2025-26. The main increase is for cotton procurement by Cotton Corporation of India under the price support scheme. The Cotton Corporation will see allocation of ₹9,243 crore for the next financial year as against ₹8,440 crore in the revised budget allocation for the current year. This is for the committed liability of the government to the Corporation, said an official.

On duties levied, with no changes in the 10% import duty on cotton, the industry's expectation of

measures to control cotton prices, which is the raw material, was not met. Trimmings, embellishments, labels and the like that attract 5% import duty will now be available as duty-free imports for exporters of textiles and leather garments. But it seems made-ups and home textiles have been excluded from the duty-free import of trimmings, etc.

At present, machinery such as for knitting and weaving machines are included in the list of machines having Concessional Custom Duty of 5%. All these machines will attract 7.5% import duty. Industry sources said customs duty includes the ad valorem tax and specific duty. The specific duty is likely to be rationalised for certain fabric items and removed for some of the garments.

The industry welcomed setting up of seven mega textiles parks under MITRA, and duty reduction on nylon raw materials. However, the levy of 10% import duty on cotton saw mixed reactions. The Budget also puts emphasis on infrastructure development and research & capacity building as the grant for these sectors has been increased by about 43.7% and 77.5%, respectively, compared to last year.

The Clothing Manufacturers Association of India (CMAI) the apex association of the apparel industry of the country has welcomed the Union Budget as positive and growth oriented for the Apparel Industry. Mr Rakesh Biyani, President, CMAI said that the most important step in this Budget for the Textile Industry was the removal of the Anti-dumping duty on PTA, which was a long-standing demand of the Textile Manufacturing Value Chain, as PTA is a crucial input for polyester production. This will potentially open up the MMF Value Chain, and give a fillip to the entire MMF industry and enhance its global competitiveness. Technical Textiles, Home Furnishing, Sportswear Industry, Sarees, Dress Materials etc., will all benefit greatly from this move. This move has the potential of being an important game changer for the MMF segment of the industry.

Mr Biyani further stated that other than this, there are several other measures which could benefit the Textile Industry, but which appear to be work in progress at this point of time – such as the Technical Textile Mission, a review of the Rules of Origin especially in our FTAs, a review of cheap imports of goods being made by our MSME Sector, refund of all the Taxes and Levies for Exports, and the targeting of making every District an Export hub. The proposed financing of Invoices of the MSME Sector could again be a huge benefit to the industry, which is largely comprised of the MSME Units. If indeed all these plans fructify as per the stated goals and objectives, this could be a landmark Budget for the Industry.

This year's Budget allocates Rs 700 crore for Amended Technology Upgradation Scheme (ATUFs) against Rs 545 crore in the last one, which will help clear the pending capital subsidy. It earmarks Rs 30 crore for Export Promotion Studies against Rs 5 crore in the last Budget, and Rs 100 crore for Integrated Scheme for Skill Development. "With the active support and cooperation of the government, the textile industry will become globally competitive, attract large investments and boost employment generation and exports in the years ahead," the Northern India Textile Mills' Association (NITMA) President Sanjay Garg said. "Basic customs duty (BCD) rates on caprolactam, nylon chips and nylon fibre and yarn will be uniformly reduced to 5% to spur textile industry, MSMEs, and exports," he said.

"The Production Linked Incentive (PLI) scheme for man-made fibres and technical textiles with a total outlay of Rs10,683 crore will help the textile industry become globally competitive, attract large investments and boost employment generation. Moreover, to achieve the target of $350 billion from the current size of $167 billion, our manufacturing sector has to grow in double digits on a sustained

basis. Our manufacturing companies need to become an integral part of global supply chains, possess core competence and cutting-edge technology," CITI chairman Rajkumar said. He added that the reduction in customs duty on caprolactam, nylon chips and nylon fibre and yarn to 5 % is a step in the right direction, as it will bring nylon chain on a par with polyester and other man-made fibres.

The associations appealed to the Prime Minister to immediately withdraw the levy of 10% import duty on cotton and cotton waste to sustain the global competition, prevent job losses and fall in the exports and also curb cheaper imports of value-added products from the SAFTA countries like Bangladesh, Sri Lanka, etc.

Earlier, The Clothing Manufacturers Association of India - CMAI - wholeheartedly welcomed the decision taken at the GST Council's meeting to defer the proposed increase of GST Rate from 5% to 12% on all items of textiles and garments. CMAI has been continuously raising its voice against the proposed increase especially on Garments, and especially at a time when the industry is reeling under one of the most severe cost increases in recent years, and is

just about struggling to emerge out of the effects of the Covid pandemic.

Rajesh Masand, President, said "During the last couple of months we have met and explained

our viewpoints to almost all the Central and State Finance Ministers, and we are extremely grateful that they have accepted our concerns and decided to defer the proposed increase". "Our grateful thanks in particular to the Union Minister of Finance, Ms Nirmala Sitharamanji, for her understanding of the disastrous impact on the industry if this increase had come through, and supporting the decision to defer it in the Council Meeting" he added.

Rahul Mehta, Chief Mentor and Past President thanked the Hon. Minister of Textiles Mr Piyush Goyal and the Minister of State for Textiles Ms Darshanaben Jardosh, and the Textile Ministry, for their strong support to the cause of the industry. "Without their support, this decision would not have been possible, and our sincere thanks to them". President Masand also thanked the Trade Associations across the country who got the voice of lakhs of Manufacturers and Retailers to be heard by the Government.

However, CMAI has cautioned that the decision to increase the Rates has only been postponed to the next Council Meeting, and reiterated their resolve to continue partnering with the Government on all issues such that win-win solutions emerge on all issues faced by the industry.