

**GOVERNMENT OF INDIA
TEXTILES
LOK SABHA**

UNSTARRED QUESTION NO:4622
ANSWERED ON:23.12.2005
STUDY BY ITMF
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Will the Minister of TEXTILES be pleased to state:

- (a) whether the International Textile Manufacturers Federation (ITMF) has conducted a comparative manufacturing cost study of 7 countries including India;
- (b) if so, the details and results thereof;
- (c) the steps taken by the Government to make Indian Textile Industry more competitive;

Answer

MINISTER OF TEXTILES (SHRI SHANKERSINH VAGHELA)

(a) Yes, Sir.

(b) The details of the study is furnished in Annexure-I. The results of the study are to be adopted by the Industry. However, the data in this regard is not maintained by the Government.

(c) The important steps taken by the Government to make Indian Textile Industry more competitive is furnished in Annexure-II.

Annexure-I

(A) MANUFACTURING COSTS OF TEXTURED YARN KNITTING - 2003 (In US \$ per yard of fabric)

| Cost Element | Brazil | China | India | Italy | Korea | Turkey | USA |
|--------------------|--------|-------|-------|-------|-------|--------|-------|
| Labour | 0.004 | 0.003 | 0.003 | 0.05 | 0.017 | 0.009 | 0.045 |
| | 6% | 10% | 5% | 52% | 33% | 16% | 55% |
| Power | 0.005 | 0.01 | 0.012 | 0.015 | 0.007 | 0.01 | 0.007 |
| | 8% | 28% | 24% | 15% | 13% | 19% | 8% |
| Auxiliary material | 0.008 | 0.006 | 0.006 | 0.008 | 0.006 | 0.007 | 0.007 |
| | 14% | 16% | 12% | 8% | 12% | 13% | 8% |
| Depreciation | 0.018 | 0.012 | 0.015 | 0.019 | 0.017 | 0.019 | 0.019 |
| | 31% | 35% | 31% | 19% | 33% | 36% | 23% |
| Interest | 0.024 | 0.004 | 0.014 | 0.006 | 0.005 | 0.008 | 0.005 |
| | 41% | 11% | 28% | 6% | 9% | 16% | 6% |
| Total mfg. costs | | | | | | | |

(per yard of fabric) 0.06 0.04 0.05 0.10 0.05 0.05 0.08
Index (Italy : 100) (58) (35) (50) (100) (50) (50) (80)

(B) MANUFACTURING COSTS OF RING/O-E YARN WEAVING - 2003 (In US \$ per yard of fabric)

| Cost Element | Brazil | China | India | Italy | Korea | Turkey | USA |
|--------------------|--------|-------|-------|-------|-------|--------|------|
| Labour | 0.02 | 0.02 | 0.03 | 0.23 | 0.08 | 0.03 | 0.17 |
| | 10% | 7% | 11% | 49% | 28% | 11% | 48% |
| Power | 0.03 | 0.05 | 0.06 | 0.08 | 0.04 | 0.05 | 0.04 |
| | 14% | 23% | 25% | 17% | 14% | 24% | 12% |
| Auxiliary material | 0.04 | 0.04 | 0.06 | 0.06 | 0.09 | 0.06 | 0.04 |
| | 19% | 17% | 24% | 13% | 31% | 24% | 13% |
| Depreciation | 0.05 | 0.09 | 0.05 | 0.07 | 0.06 | 0.07 | 0.07 |

28% 45% 22% 15% 20% 29% 21%
 Interest 0.06 0.02 0.04 0.03 0.02 0.03 0.02
 29% 8% 18% 6% 7% 12% 6%
 Total mfg. costs

(per yard of fabric) 0.20 0.22 0.24 0.47 0.29 0.24 0.34
 Index (Italy : 100) (41) (45) (50) (100) (60) (51) (73)

(C)

MANUFACTURING COSTS OF RING YARN KNITTING - 2003 (In US \$ per yard of fabric)

Cost Element Brazil China India Italy Korea Turkey USA

Labour 0.01 0.01 0.005 0.13 0.04 0.02 0.11
 6% 10% 5% 54% 34% 17% 56%
 Power 0.01 0.02 0.02 0.03 0.01 0.02 0.01
 6% 22% 20% 12% 10% 15% 6%
 Auxiliary material 0.02 0.015 0.015 0.02 0.02 0.01 0.02
 15% 19% 13% 8% 14% 14% 9%
 Depreciation 0.04 0.03 0.04 0.05 0.04 0.05 0.04
 32% 37% 32% 19% 33% 37% 23%
 Interest 0.06 0.01 0.04 0.01 0.01 0.02 0.01
 41% 12% 30% 7% 9% 17% 6%
 Total mfg. costs

(per yard of fabric) 0.14 0.08 0.12 0.24 0.12 0.12 0.19
 Index

(Italy : 100) (59) (34) (50) (100) (50) (50) (80)

(D) MANUFACTURING COSTS OF TEXTURED YARN WEAVING - 2003 (In US \$ per yard of fabric)

Cost Element Brazil China India Italy Korea Turkey USA

Labour 0.03 0.02 0.03 0.29 0.10 0.04 0.22
 7% 5% 9% 34% 27% 9% 30%
 Power 0.03 0.06 0.08 0.28 0.05 0.07 0.24
 8% 16% 20% 33% 13% 18% 34%
 Auxiliary material 0.07 0.06 0.08 0.07 0.08 0.06 0.06
 20% 16% 20% 8% 20% 18% 9%
 Depreciation 0.12 0.20 0.11 0.15 0.12 0.15 0.15
 32% 54% 28% 18% 30% 39% 21%
 Interest 0.12 0.03 0.09 0.06 0.04 0.06 0.04
 33% 9% 23% 7% 10% 16% 6%
 Total mfg. costs

(per yard of fabric) 0.37 0.37 0.39 0.85 0.39 0.38 0.71
 Index (Italy : 100) (43) (43) (46) (100) (46) (44) (84)

(E) MANUFACTURING COSTS OF O-E YARN KNITTING - 2003 (In US \$ per yard of fabric)

Cost Element Brazil China India Italy Korea Turkey USA

Labour 0.005 0.005 0.003 0.065 0.02 0.01 0.055
 7% 10% 5% 54% 34% 17% 57%
 Power 0.005 0.01 0.015 0.017 0.008 0.01 0.007
 7% 26% 23% 14% 12% 18% 7%
 Auxiliary material 0.01 0.005 0.006 0.008 0.007 0.007 0.007
 12% 15% 10% 7% 11% 12% 7%
 Depreciation 0.02 0.015 0.02 0.022 0.02 0.023 0.022

| | | | | | | | | |
|------------------|------|-------|------|-------|-------|------|-------|--|
| | 32% | 37% | 32% | 19% | 33% | 37% | 23% | |
| Interest | 0.03 | 0.005 | 0.02 | 0.007 | 0.006 | 0.01 | 0.005 | |
| | 42% | 12% | 30% | 6% | 10% | 16% | 6% | |
| Total mfg. costs | 0.07 | 0.04 | 0.06 | 0.12 | 0.06 | 0.06 | 0.10 | |

(per yard of fabric)
 Index (Italy : 100) (57) (34) (50) (100) (50) (50) (80)

Annexure-II

Steps taken by the Government in the recent past to make the Indian textile industry more competitive:

- To improve productivity and quality of cotton for manufacture and export of competitive downstream textile products, Government has launched the Technology Mission on Cotton (TMC). The Mission has achieved success in increasing the productivity and reducing the contamination through upgradation of cotton market yards and modernisation of Ginning & Pressing factories.
- The Technology Upgradation Fund Scheme (TUFS) was launched to facilitate the modernisation and upgradation of the textile industry both in the organised and unorganized sector. The Scheme has been further fine tuned to increase the rapid investments in the targeted sub-sectors of the textile industry. The cost of machinery has been further brought down by reducing the customs duty on imports.
- For speedy modernisation of the textile processing sector, Government has introduced w.e.f. 20.04.05, a credit linked capital subsidy scheme @10% under TUFS, in addition to the existing 5% interest reimbursement.
- For small scale textile and jute industrial units, Government has enhanced, the rate of Credit Linked Capital Subsidy (CLCS) from 12% to 15% w.e.f. 13.01.05.
- In order to facilitate modernisation of the Powerloom Sector, Schemes such as High-tech Weaving Parks, Modernisation and Strengthening of Powerloom Service Centers, Group Workshed Scheme and Credit Linked Capital Subsidy Scheme @ 20% have been introduced. Also, the Government has enhanced, w.e.f. 13.01.05, the capital ceiling for machinery from Rs. 60.00 lakh to Rs. 100.00 lakh under 20% capital subsidy scheme-TUFS.
- To provide the textile industry with world-class infrastructure facilities for setting up their textile units meeting international environmental and social standards, a Public-Private Partnership (PPP) based Scheme known as the "Scheme for Integrated Textile Park (SITP)" has been introduced in July 2005.
- In 2004-05 Budget, the entire textile sector, except for man-made fibre and filament yarn was provided optional exemption from excise duty. In 2005-06 Budget, Central Value-aided Tax (CENVAT) on Polyester Filament Yarn has been reduced from 24% to 16%. These modifications in fiscal levies aim at attracting more investments for modernization of textile sector.
- To facilitate import of state of the art machinery to make our products internationally competitive in post quota regime, in 2005-06 Budget, the customs duty on textile machinery has been brought down to 10% except 23 machinery appearing in List 49 which attracts Basic Customs Duty (BCD) of 15%. The concessional duty of 5% continues to be at 5% on most of the machinery items.
- In 2005-06 Budget, 30 items of knitting and knitwear have been de-reserved. This would facilitate setting up of large sized modernized units for meeting the international competition.
- Government has launched the Debt Restructuring Scheme w.e.f. Sept., 2003 with the principal objective to permit banks to lend to the textile sector at 8-9% rate of interest.
- In order to cater to the growing skilled manpower requirements at shop floor level, Government is providing assistance for strengthening existing and opening new Apparel Training and Design Centres (ATDCs).
- Government has allowed 100% Foreign Direct Investment in the textile sector under automatic route.
- Government has de-reserved the readymade garments, hosiery and knitwear from SSI sector so that large scale investments may be encouraged in these sectors.
- National Institute of Fashion Technology (NIFT) has been set up to provide the leadership role in sensitizing the Industry to the concept of value addition by inducting trained professionals to manage the industry. This has resulted in an increased demand for trained professionals in various sectors servicing the industry.
- To take a serious look at Fashion Education in the changing business context of the opening up of World Economies, Government is taking steps for:-
- Establishing an institution of National Excellence for imparting Fashion Business Education with International Benchmarking.

- appointing a nodal agency for standardizing and benchmarking Fashion Business Education in the country.
- Setting up an Apex Body to train the teachers / trainers imparting Fashion Business Education in the country.