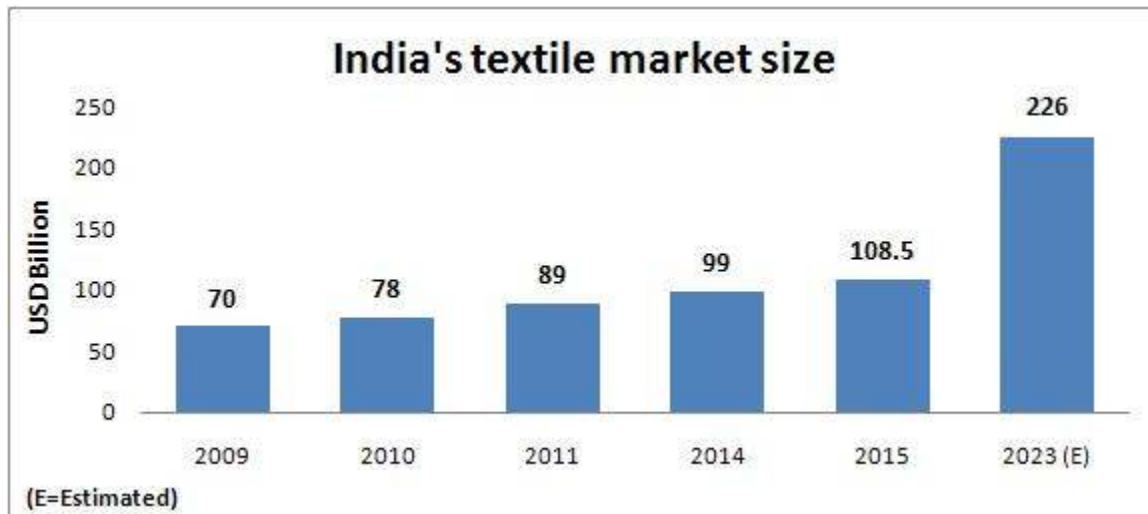


Government measures to enhance growth of textile sector in coming time

MAR 30, 2017

Indian Textiles Industry has a vast presence in the economic life of the country and contributes substantially to its exports earnings. It plays a major role in the Indian economy, contributing 14 per cent to overall Index of Industrial Production (IIP) and around 5 per cent to GDP. The textile industry has two broad segments. First, the unorganised sector consisting of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods, while the second is the organised sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale. The fundamental strength of the textile industry in India is its strong production base of wide range of fibre/yarns from natural fibres like cotton, jute, silk and wool to synthetic /man-made fibres like polyester, viscose, nylon and acrylic. With over 45 million people, the industry is one of the largest sources of employment generation in the country.

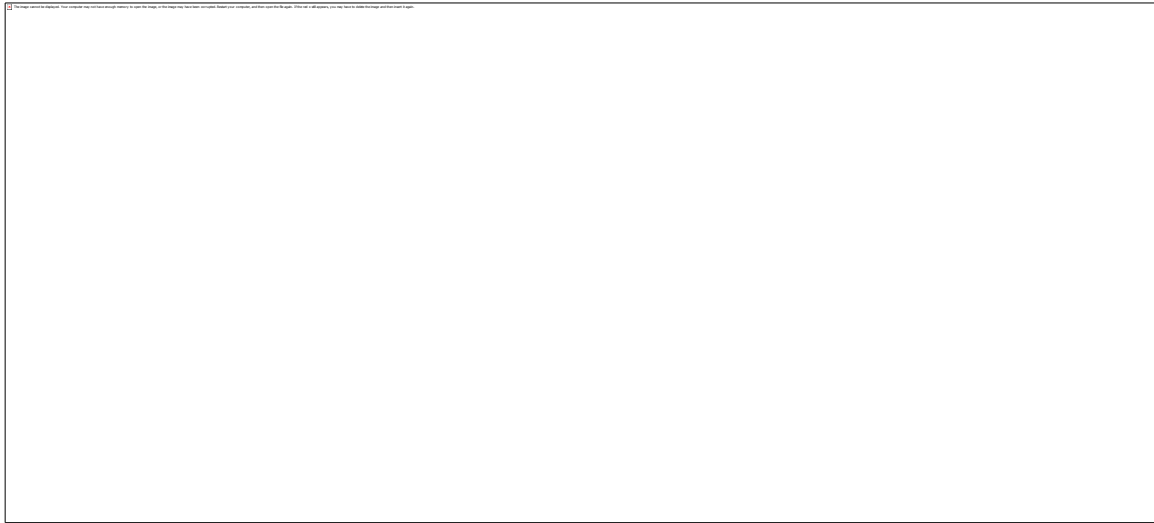
India accounts 63 per cent of the market share of textiles and garments. With production of 5,984 million kg, India was the largest producer of cotton in 2015-16. Indian textile industry accounts for about 24 per cent of the world's spindle capacity and 8 per cent of global rotor capacity. India has the highest loom capacity (including hand looms) with 63 per cent of the world's market share. India accounts for about 14 per cent of the world's production of textile fibres and yarns (largest producer of jute, second largest producer of silk and cotton; and third largest in cellulosic fibre). India is the second largest producer of Manmade Fibre and Filament, globally, with production of around 2,511 million kg in 2015-16. The size of India's textile market in 2015 was around \$108.5 billion, which is expected to touch \$226 billion market by 2023, growing at a CAGR of 8.7 per cent between 2009-23 (expected).



Exports

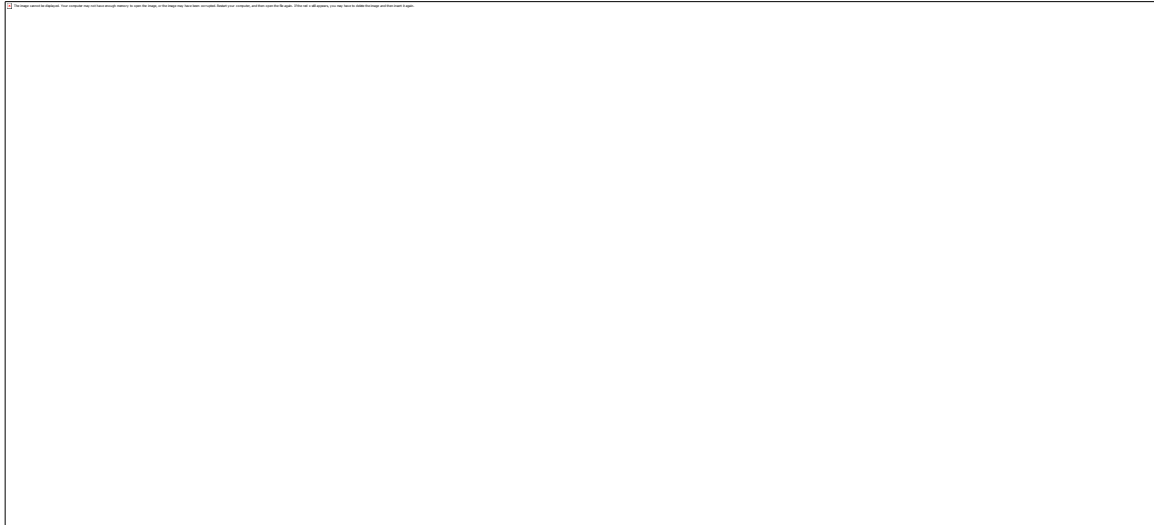
India's textiles and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of its exports worldwide. The sector contributes around 11% in total export. The export of textiles and its allied products declined marginally by 0.72 per cent in December 2016 to \$3,283 million as compared to \$3,307 million in same month previous year. The export of textiles and its allied products for April- December 2016 declined by 4.65 per

cent to \$25,458.51 million as compared to \$26,700.86 million in year ago period. The fall was mainly due to slump in cotton yarn export. Cotton yarn export in April- December 2016 reported a negative growth of 14.15 per cent at \$2,368.60 million as against \$ 2,759.04 million in April-December 2015.



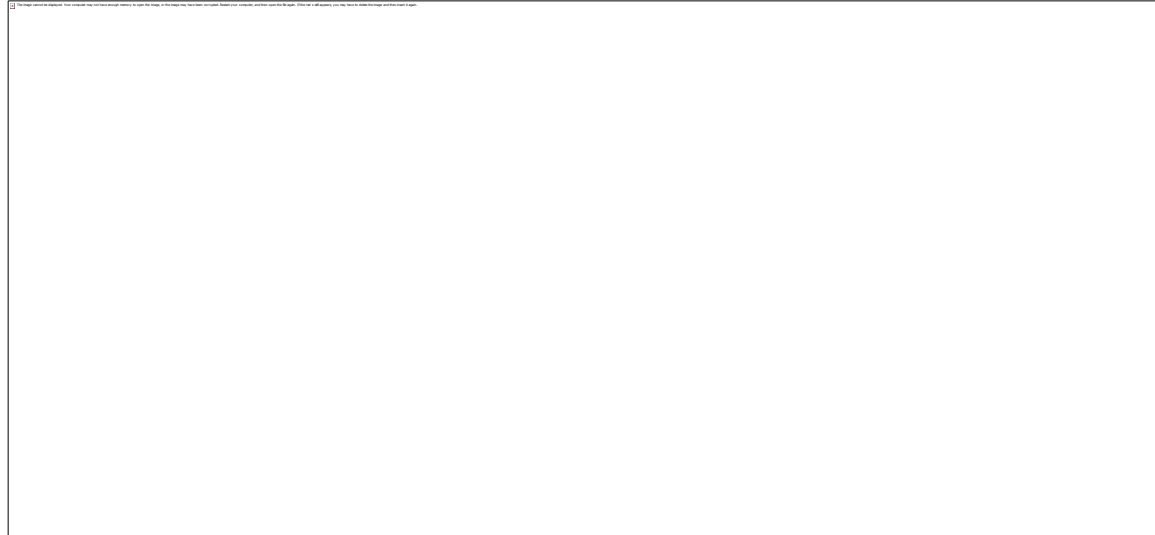
Imports

India is major exporting country as far as textile sector is concerned and not dependent on import. Majority of import takes place for re-export or special requirement. The import of textiles and its allied products surged marginally by 1.82 per cent in December 2016 to \$446 million as compared to \$438 million in same month previous year. Meanwhile the import of textiles and its allied products for April-December 2016 increased by 5.67 per cent to \$4,354.78 million as compared to \$4,120.38 million in year ago period. The increase was mainly on the back of around two and a half fold jump in import of Cotton raw material (including waste) at \$824.96 million in April- December 2016 as compared to \$330.91 million in same period previous year.



FDI in the sector

Textile industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth \$264.64 million or Rs 1,699.85 crore in FY16, as compared to \$162.91 million or Rs 1,002.23 crore in previous year. In 2014, the sector has attracted FDI worth \$198.90 million or Rs 1,218.62 crore.



Government initiatives

- Government has announced a special package of reforms for generation of around 1.11 crore jobs in apparel and made-ups sectors, and for a cumulative increase of \$32.8 billion in exports and investment of Rs 80,630 crores over next 3 years. The package includes a slew of measures which are labour-friendly and would promote employment generation, economies of scale and boost exports.
- The Government is providing additional production-linked incentive of 10% under the Amended Technology Upgradation Scheme (ATUFS), for promoting employment in garmenting segment.
- The Government has designed Pradhan Mantri Paridhan Rojgar Protsahan Yojana (PMPRPY) to incentivize employers in the apparel sector for generation of new employment. Under the PMPRPY, government provides additional 3.67% of the employer's contribution, in addition to Government bearing 8.33% of employer contribution of Provident Fund (EPF). The special package has been extended to made-ups sector to provide additional impetus to employment generation.
- The government has been implementing the Amended Technology Up-gradation Scheme (ATUFS), the scheme for Integrated Textile Parks (SITP), the Integrated Skill Development Scheme (ISDS), the North Eastern Region Textile Promotion Scheme (NERTPS), etc., with a view to enhancing the growth of the textile sector and for increasing employment in the sector.

Recent developments

Cabinet clears easier labour laws, tech upgradation for textiles sector

The Union Cabinet approved a set of reforms, including simplified labour laws and technology upgradation for the made-ups sector. The interventions are expected to boost employment in the textiles sector and create jobs for up to 11 lakh persons, lead to increase in exports and enhance benefits to the workers in the textiles and apparel sector. Made-ups, which includes products like towels and bedsheets, is the second largest employer in the textiles sector after apparel. The government will provide production incentive through enhanced Technology Upgradation Fund Scheme (TUFS) subsidy of additional 10% for made-ups similar to what is provided to garments based on additional production and employment after three years.

On labour laws front, the government increased the permissible overtime up to 100 hours per quarter in made-ups manufacturing sector besides making employees' contribution to EPF optional for employees earning less than Rs 15,000 per month. These incentives are part of the Rs 6,006-crore package announced for the apparel sector in June. The textiles industry welcomes the government's initiative to support the made-ups sector. This will help India in creating huge employment, earning foreign exchange and creating traction for the fabrics and yarn sectors.

Government sanctions Rs 200 crore for Tirupur dyeing industry

The government has sanctioned Rs 200 crore to Tirupur dyeing industry which was on the verge of closure due to severe financial crisis. The industry was facing problems on account of their huge investments in the first ever Zero Liquid Discharge (ZLD) projects in the country. The government has taken cognizance of this problem of the dyeing industry in Tirupur and on recommendation of the Ministry of Textiles, Finance Ministry has sanctioned Rs 200 crore to Tamil Nadu for the 18 CETPs (Common Effluent Treatment Plants) as an interest free loan to be converted into grant based on the performance of the CETPs. The move will help ailing CETPs and 450 dyeing units to recover from the financial crisis and help them to complete the project to achieve 100 per cent capacity utilization.

Government earmarks Rs 340 crore for Khadi

Aiming at a 20 per cent increase in production and sales of Khadi products over the next three years, the government has allocated Rs 340 crore towards setting up of Khadi plazas and Modified Market Development Assistance scheme in the Budget. The provision made in the Output Outcome framework of schemes for 2017-18 will help increase the wages of artisans and benefit 1,500 Khadi institutions. Out of the Rs 340 crore, Rs 15 crore has been earmarked for setting up five Khadi plazas. A major chunk of the Rs 6,481.96 crore allocated to the Ministry of Micro, Small and Medium Enterprises has been provided to the Credit Guarantee Scheme (Rs 3,002 crore).

The funds will help support 4,68,000 credit proposals while approving a credit guarantee to the tune of Rs 17,955 crore. The Credit Guarantee Scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral-free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 50/75/80/85 per cent of the credit facility. Besides, a sum of Rs 1,024.49 crore has been

earmarked towards the Prime Minister's Employment Generation Programme (PMEGP), for setting up 56,500 micro units and employing 4.52 lakh persons.

Budget proposals for the sector

In Union budget 2017-18, government has proposed to launch a special scheme for creating employment in the textile sector. The basic custom duty has been decreased to 5% from 7.5% on Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions.

Moreover, the Budget has given a major boost to textile infrastructure by increasing the allocation for building textile parks, incubation facilities, processing and development centres by almost three times. The provision for textile infrastructure has been increased to Rs 1,860 crore in 2017-18 from Rs 506 crore in FY17. These increased funds will also be used for the Pradhan Mantri Rojgar Protsahan Yojana to promote employment in the sector.

Outlook

Indian textile industry enjoys comparative advantage in terms of skilled manpower and in cost of production relative to major textile producing countries. Moreover, strong production base of wide range of fibre/yarns from natural fibres like cotton, jute, silk & wool provide major strength to Indian textile sector. The government allocating higher fund for labour skilling and end-to-end logistics solutions, including rail and coastal shipping last-mile connectivity, too will support the sector. The government's proposal to allocate funds for affordable housing scheme (as sought by the textile sector) has also been adhered. Government measures like announcement of special package of reforms for generation of around 1.11 crore jobs in apparel and made-ups sectors, and for a cumulative increase of \$32.8 billion in exports and investment of Rs 80,630 crores over next 3 years, too will be aiding the industry. Moreover, implementation of schemes like ATUFS, SITP, ISDS, NERTPS, etc. will enhance the growth of the textile sector in coming time.

Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YEILD %	TTM EPS	TTM PE
Page Industries Ltd.	14044.80	15665.39	597.62	0.61	230.20	61.01
Binny Ltd.	149.70	334.12	164.55	0.00	137.01	1.09
Vardhman Textiles Ltd.	1311.00	7523.96	783.89	1.14	125.47	10.45
Cheviot Company Ltd.	1102.55	497.39	767.11	1.54	93.07	11.85
Kewal Kiran Clothing Ltd.	1707.85	2104.93	284.07	3.51	59.37	28.77
Loyal Textile Mills Ltd.	745.40	359.02	359.74	1.34	54.81	13.60
RSWM Ltd.	424.00	998.56	261.80	2.95	43.98	9.64
Gloster Ltd.	577.35	604.31	171.64	0.26	43.09	13.40
Century Enka Ltd.	435.40	951.37	380.60	1.72	39.91	10.91
Garware-Wall Ropes Ltd.	697.35	1525.95	196.31	0.47	36.98	18.86
Voith Paper Fabrics India Ltd.	602.60	264.70	393.71	0.66	36.97	16.30
Premco Global Ltd.	520.00	171.85	177.72	0.58	34.28	15.17

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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