

Lack of capacity, supply-base hinder India's growth: Agarwal

by [Vikas Mohapatra](#) on June 30th 2010 and filled under [Other](#)



How are you witnessing the textile industry's growth after the global slowdown? Prashant Agarwal: Now the stores are again back globally. We know that Europe and the US are recovering from the global crisis. Even the Indian industry is in the recovering phase. At this moment, if you talk about the bigger players as well as the smaller players both of them have good orders. Orders are there in the market for the industry. But what is not there is the price. We do not have the prices as what is needed. The prices have gone down. The Euro has gone down and commensurate to this even the US dollar has gone down, which has impacted the price mechanism in the market as well. The prices have not increased.

How are things recovering in the sector? Prashant Agarwal: In the US the recovery is fast and in the Europe it is extremely slow. But no retail/departmental stores are closing down. The only issue is the Euro has moved from €68 to €56-57. It has shown a downward trend of 20 per cent. And, 20 per cent is a big drop. We do not see that kind of profitability which was earlier. At present, although the exporters have the capacity but they have to work in no margin.

Do you think the government's initiative to ban cotton exports is a good decision? Prashant Agarwal: I think it is better not to comment on such kind of decisions. But, banning cotton will not benefit the textile industry. This is an industry where one cannot control on how or when the cotton or yarn is exported. I do not think that government should intervene in this kind of matters. We can talk about the pros and cons from the business perspective. The government should not decide on the Indian export front. They can decide on banning imports from other the countries but in terms of export it should not be intervene by the government. The industry gets affected due to this. India has a surplus of raw materials. The government has banned cotton recently because the yarn prices are going up and the initiative has been taken to control the yarn prices.

Is R&D measures and implementation lacking in the Indian textiles industry? Prashant Agarwal: I think that the industry has to do a lot to develop R&D in the textile industry. India has no alternative to R&D. As we know many foreign players are entering the market and many industries are coming in to India. If you have to compete with the Bangladesh and Vietnam then India need not invest in R&D and innovation but if you have to look for other destination such as Turkey and Eastern European countries then India has to develop and invest in R&D. For research and development the industry initiatives is needed besides the investment and government subsidies in India.

What kind of challenges is the Indian spinning sector facing these days?

Prashant Agarwal: Indian spinning industry has been profitable. The profitability is going up in the Indian spinning industry. As of now they are not facing any challenges.

Why did the government say that the spinning industry do not have adequate capacity to absorb cotton? Prashant Agarwal: If the government is saying this then why did they ban cotton exports. They should not have banned it. On one hand, they are saying that the spinning industry

cannot absorb enough cotton and on the other hand, they have banned the cotton exports. It is contradictory, isn't it?

What kind of steps should our government take so that India can compete with China more efficiently? Prashant Agarwal: As far as the government is concerned, there are certain policy decisions and initiatives that encourage investments in India. The mantra of the government should be to create more investment and find out procedures to work on compliance issues in India. In fact, potential investment happens in China and for India the government has to put up small integrated path. India should become the best alternative to China. India has the the best supply chain. India's biggest advantage is that India has got everything in-house. India can also be the best alternative to Bangladesh as well, if the required investment takes place.

Do you witness textile growth this fiscal after so much of demand fall from the key export markets? How much possible growth can we expect this fiscal? Prashant Agarwal: Yes, the growth will take place. I think one thing is neutralization. Whatever the downturn was happening recently, it is expected that the textile exports will growth at 2-3 per cent and in the domestic market it is likely to witness growth of 10-12 per cent.

How much are SMEs hurt from the crisis? Prashant Agarwal: SMEs are impacted by the global crisis dearly. But, it is not that there is no order flowing in to the market. I would not completely agree to that. When the recovery comes the buyers usually wants to purchase from the best suppliers and the exporters who supply goods to the buyers may not have recovered in complete capacity. So, they are a bit in crisis. But, we cannot say that the recovery is not happening.

While, SMEs usually supply to the domestic market. Some even exports in the international market. In fact, SMEs product are usually of those kind that get easily impacted during any global crisis. They makes products of handicrafts, handlooms, garments, etc. When the slowdown takes place consumers curtail purchasing such types of product. So, these kinds of product get more affected during the economic slowdown. SMEs get impacted more than the large players.

The reform that China has announced on changes in Yuan, will that help our SME driven textile sector? Prashant Agarwal: Absolutely, exporters are already feeling it. We meet lots of exporter and they are saying that they are getting more orders these days. If the Chinese Yuan appreciates in then the Chinese industry is almost at par with the India industry. The problem with the Indian industry is that they do not have a big supply base. And, China although they increase their prices of goods, people (buyers) have no option other than to buy from them because they have big supply-base and capacity. Those buyers if they leave China, they may not find the services elsewhere which China is providing. Buyers are looking towards India as an alternative option. However, as India does not have the capacity and supply-base, I do not think India will be able to capitalized fully on reforms expected on Chinese Yuan.

In the meantime, if the rupee appreciates further over a period of time, it might be a trouble for Indian exporters as we know that the currency is in nobody's hand. Only thing Indian exporters can do is probably increase productivity and cut costs. It is true that the currency has an impact on exports as it decreases the profitability.