

**GOVERNMENT OF INDIA  
TEXTILES  
LOK SABHA**

UNSTARRED QUESTION NO:2002

ANSWERED ON:26.03.2012

RESTRUCTURE OF TEXTILE POLICIES

Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Bajwa Shri Partap Singh;Dharmshi Shri Babar Gajanan;Yadav Shri Dharmendra

**Will the Minister of TEXTILES be pleased to state:**

- (a) whether the demand of textiles/yarn products are declining due to sickness, debt burden and recent global slowdown;
- (b) if so, the details thereof alongwith any plan to give incentives to the textile sector and to augment investment and capacities of various garment/spinning factories;
- (c) whether the Union Government proposes to restructure textile policies for infrastructural development to achieve a growth target of twelve per cent during the Twelfth Five Year Plan;
- (d) if so, the details thereof alongwith steps taken by the Government in this regard;
- (e) whether the Union Government sought cooperation from major international players to collaborate with the Indian textiles industry in the manufacture of fabric and fermenting; and
- (f) if so, the details thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF TEXTILES (SMT. PANABAACA LAKSHMI)

(a): Yes Madam.

(b): The Confederation of Indian Textiles Industry has reported that out of 287 companies listed in the Bombay stock exchange 122 companies have reported net losses in Q1 of 2011-12 and 166 companies have shown poorer results compared to previous year. Many companies are reported to be finding it extraordinarily difficult to repay term loans and finance working capital and have reported that they may default on loan repayment. The highest price volatility in cotton prices in the past 150 years followed by a collapse in April, 2011, had immediate repercussions in the domestic market. Cotton yarn production is down by 15 per cent and fabric production is down by 19 per cent in the April-October, 2011 period over the previous year. Textile Mills faced with high priced cotton inventories could not pass through the prices into yarn and fabrics as the price decline came suddenly in the month of April, 2011. This led to a slowdown in production and reduced utilization capacity.

(c) to (e): The Ministry of Finance constituted a Committee under the Chairmanship of Shri M.D. Mallya, Chairman Bank of Baroda for examining the textile restructuring proposals. The Committee identified a sizable exposure to the textiles sector of Rs. 146885 crores. The Report of the Committee recommended a restructuring package that sought relaxation in prudential norms by RBI for banks to restructure working capital and term loans. Government has not sought international collaboration for investments, foreign investments are on automatic route for textile sector.

(f): The proposal was submitted to and examined by Reserve Bank of India (RBI). RBI advised that banks are free to restructure any account, whether standard, sub-standard or doubtful as also more than once, provided the financial viability is established and there is a reasonable certainty of repayment as per the terms of the restructuring package but clarified that it was in favour of relaxing its prudential guidelines on restructuring of advances, provisioning norms, risk weights etc. for any specific sector or industry. RBI has recommended to the Government to undertake a stress study of the textile sector.