GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

STARRED QUESTION NO:310
ANSWERED ON:10.12.2009
TEXTILES EXPORT
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Will the Minister of TEXTILES be pleased to state:

(a) whether appreciation of the rupee has adversely affected exports in the textile sector thereby benefiting the competitors in the filed;

(b) if so, the measures initiated by the Government to meet this challenge; and

(c) its impact so far?

Answer

MINISTER OF TEXTILES(SHRI DAYANIDHI MARAN)

(a) to (c): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO.310 FOR 10-12-2009.

(a) to (c): The cumulative exchange rate of the Indian rupee vis-a-vis the US dollar during 2008-09 was Rs.45.99 which has since depreciated to Rs.48.33 during the current financial year i.e. April-October 2009 (on a cumulative basis). However, on a monthly basis, it is observed that the rupee has started to appreciate after July, 2009 when the exchange rate was INR 48.48 and has since appreciated to INR 46.57 in December, 2009. The exchange rates of the competitor countries like Bangladesh, Pakistan, Sri Lanka, Vietnam and China have remained more or less stable compared to the US dollar and has even depreciated as in the case of Pakistan; but the exports of textiles and clothing of all these countries to US have declined during the current calendar year (Jan-Sept' 09), except for Bangladesh which has posted an increase of around 4%.

The decline in the export of textiles and clothing cannot, therefore, be attributed to the rupee appreciation factor alone. The decline in India's export of textiles owes itself to the recession in the major economies viz. US and EU etc. which are major destinations for India's textiles products. The Government has introduced following measures from time to time to meet the adverse effect of the global economic slowdown and to strengthen the textiles sector in general:

Stimulus Scheme announced on 07-12-2008

1) General reduction of 4% in CENVAT rates. As a result, the textile machinery had 10% (Previously 14%) and Non-cotton textile have 4% (Previously 8%) CENVAT rate.
2) 4% optional CENVAT on cotton textiles has been abolished.
3) NAPTHA has been exempted from import duty (Previously 5%) for use in the power sector.
4) Rate of C. Excise duty on cotton textiles reduced from 4% to Nil (Notification No.59/2008 (C. Excise dated 07-12-2008)
5) The benefit of Service Tax refund (Already available to 19 other services, which are not in the nature of "input services" but could be linked to export goods.) is now extended to service provided by a clearing & forwarding agent to exporters.
6) The Threshold limit of refund of service tax paid by exporters on foreign commissioner agent service has been enhanced from 2% of FOB value to 10% of FOB value of exports.
7) Draw back benefit can now be availed of simultaneously with refund of service tax paid in respect of exports.
8) Pre and post − shipment export credit for certain specific sectors including textiles belongs to SME sector is being made more attractive by providing an interest subvention of 2% upto 31/03/2009 subject to minimum rate of interest 7% per annum.
9) An additional allocation of Rs. 1400 crore will be made to clear the entire backlog in TUF Scheme.
10) All items of handicrafts will be included under 'Vishesh Krishi & Gram Udyog Yojana, All items of Handicraft included under Vishesh Krishi & Gram Udyog Yojana (VKGUY) Scheme, under which exports are eligible for Duty Credit Scrip equivalent to 5% of FOB value.
11) To boost collateral free lending, the current guarantee cover under Credit Guarantee Scheme for Micro and Small enterprises on loans will be extended from Rs.50 lakh to Rs.1 crore with guarantee cover of 50 percent.
12) Government back-up guarantee for ECGC to the extent of Rs. 350 crores to enable it to provide Guarantees for exports to difficult markets/products, to continue the single buyer policy.
13) Additional fund of Rs. 1100 crores for refund of Terminal Excise Duty (TED)
14) Additional provision of Rs.350 crores for export incentive schemes.

DEPB/ DBK Scheme announced on 02-01-2009

15) The DEPB Scheme extended till December 31, 2009 and restored the rates at those prevailing prior to 5th November 2008.
16) Restored DEPB Credit rates to those prevailing prior to 1-9-2008. However, no benefit to exporters of cotton textiles since there was no reduction the DEPB rates for cotton textiles.
17) Decided to remove the all- in- cost ceilings on External Commercial Borrowings.
18) Duty Drawback revised rates/value caps with retrospective effect i.e. w.e.f. 01-09-2008 −
a) Increased Value cap for Cotton Yarn from Rs. 8/- per Kg to Rs. 12/ per kg for Grey Yarn and from Rs. 14 per kg to Rs. 16 per kg for Dyed yarn

b) Increased rate of Drawback for Cotton Knitted Fabrics from 4.5% to 5% and value cap from Rs. 14 per kg to Rs. 15.60 per kg.

Interim Budget 2009-10

19) General rate of Central Excise Duty is reduced from 10% to 8%. As a result Central Excise Duty on Textile Machinery is reduced from 10% to 8%.
20) Rate of Service Tax on taxable services is reduced from 12% to 10%.

Second Stimulus Package Scheme announced on 24-02-2009

21) Customs Duty - The facility of exemption from Basis Customs Duty on imports of Naptha for generation of Electric energy is being extend beyond 31-03-2009.

22) Excise Duty −
a) General Reduction in Excise Duty rates by 4% made w.e.f. 7-12-2008 is being extended beyond 31-03-2009
b) Further reduction in the rate of Excise Duty by 2%; i.e. from 10% to 8%
c) Retaining the rate of Central Excise Duty on goods currently attracting Ad-Valorem rates of 8% and 4% respectively.

23) Service Tax - The rate of Service Tax on taxable services has been reduced from 12% to 10%
24) Exemption from Income Tax for SEZ/s - Removed the anomaly in computation of export profits with reference to the total turnover of the assesses in SEZ/s

Major supplementary Trade Facilitation Measures announced under Foreign Trade Policy 2004-2009 (on 26-02-2009)

25) Rs. 325 crore provided under promotional Schemes for Leather, Textiles etc., for exports made with effect from 1.04.2009. It is in the form of 2% duty credit scrip of FOB value of exports under market linked focused product scheme exclusively for exports into US and EU.
26) Benefit of 5% duty credit script of FOB value of exports under Focus Product Scheme has been notified for exports of handmade carpets, in lieu of 3.5% benefit allowed earlier under VKGUY scheme (Vishesh Krishi and Gram Udyog Yojana).
27) Technical Textiles has been added under High-Tech Products Export Promotion Scheme and now entitled to duty credit scrip equivalent to 1.25% of FOB value of exports.
28) Under EPCG scheme, in case of decline in exports of a product by more than 5%, the export obligation of that product is to be reduced proportionately. This provision has been extended for the year 2009-10, for exports during 2008-09.
29) DEPB/Duty credit script utilization extended for payment of duty for import of restricted items also.
30) Procedure for claiming duty drawback refund and refund of terminal excise duty further simplified.
31) Re-credit of 4% SAD, in case of payment of duty by incentive scheme scrips such as VKGU, Focus product and Focus Market, was allowed.
32) Export obligation period against Advance Authorizations extended up to 36 months.
33) Permitted supply of intermediate product/s by the domestic producer directly from the factory to the port of shipment against Advance Intermediate Authorization
34) Dispensed with the requirement of MODVAT/CENVAT certificate in cases where the Customs Notification itself prescribed for payment of CVD, in respect of Advance Licences issued prior to 01-04-2002.
35) Export House - Reduced the threshold limit for recognizing Premier Trading Houses from Rs. 10,000 crore in the preceding three years and current year to Rs. 7,500 crore.

Additional Scheme announced on 04-03-2009

36) The Government announced facility of refund of service tax paid on all input services, irrespective of whether they are consumed inside or outside the zone, to Special Economic Zones (SEZ) units and developers. Previously, the government exempted SEZ developers/units from paying a tax on services that were consumed within the zone.

Other Facilitation Measures

37) Re-imbursement of Additional Duty of Excise levied on fuel under the Finance Act would also be admissible in respect of EOU's
38) Re-credit of 4% SAD, in case of payment of duty by incentive scheme scrips such as VKGUY, FPS and FMS, has now been allowed.
39) Simplification of the provision for getting refund of Terminal Excise Duty/ Deemed Export Benefits and now exporters can submit a statement certified by Central Excise Authorities in lieu of individual invoices and a monthly statement confirming duty payment in lieu of ER-1/ER-3
40) Krishnapatnam seaport included for the purpose of Export Promotion Schemes.
41) Electronic Message Transfer facility for Advance Authorization and EPCG Scheme established for shipments from EDI ports w.e.f.01-04-2009.
42) Requirement of hard copy of Shipping Bills dispensed with for Export Obligation discharge.

RBI's measures (25-03-2009)

43) The validity of interest subvention at 2% on Pre Shipment Credit upto 270 days and Post Shipment Credit upto 180 days was extended from 31-03-2009 to 30-09-2009.
44) The validity of interest subvention at 2% on Pre Shipment Credit upto 270 days and Post Shipment Credit upto 180 days has been extended from 30-09-2009 to 31-03-2010.

Strengthening of Technology Upgradation Fund Scheme

45) TUFS has been extended till 31-03-2012.
46) In the current financial year the Government has made a provision of Rs.2890 crore as against Budget Estimates of Rs.1090 crore during 2008-09.
47) The Government released a subsidy of Rs.2546 crore under TUFS on 06-8-2009 in a single tranche and the amount was credited to the bank accounts of beneficiaries within 72 hours. With this release commitments under TUFS upto 30-06-2009 have been substantially met and the cash flow of beneficiaries has substantially improved.

Major incentives introduced under Foreign Trade Policy − 2009 − 2014

48) Incentive Schemes have been expanded by addition of new products and markets.
49) 26 new markets have been added under the Focus Market Scheme. These include 16 new markets in Latin America and 10 in Asia-Oceania.
50) The incentive available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%.
51) The incentive available under the Focus Product Scheme (FPS) has been raised from 1.25% to 2%. This covers a large number of products from various sectors have been included for benefits under the FPS. These include Jute and Sisal products, Technical Textiles and vegetable textiles.
52) Market Linked Focus Product Scheme (MLFPS) has been greatly expanded by inclusion of products classified under as many as 153 ITC(HS) Codes at 4digit level. This covers textiles madeups, knitted and crocheted fabrics.
53) MLFPS benefits also extended for export to additional new markets for certain products. These include apparels among others.
54) Higher allocation for Market Development Assistance (MDA) and Market Access Initiative (MAI) scheme is being provided
55) To aid technological Upgradation of export sector, EPCG Scheme at Zero Duty has been introduced for apparels and textiles among others.
56) To imp-art stability to the Policy regime, Duty Entitlement Passbook (DEPB) Scheme is extended beyond 31-12-2009 till 31-12-2010.
57) To simplify claims under FPS, requirement of 'Handloom Mark' for availing benefits under FPS has been removed.
It is too early to quantify the positive effects of these measures on India's exports of textiles and clothing.