



Indo –US Partnership in Textiles & Implication of GST
0900 Hrs: 18th May 2017: Garware Club House, Churchgate, Mumbai

Indo American Chamber of Commerce organized a “Seminar on Indo –US Partnership in Textiles & Implication of GST on Tuesday 18th May 2017 at the Garware Club House in Mumbai. The objective of this Session was to try and understand the opportunities & challenges in doing business with USA in Textiles.

Mr. Suresh Kotak, Chairman, IACC Textile Forum welcomed the august gathering; Dr. Lalit Kanodia, Immediate Past President, IACC delivered Special address, Dr Kavita Gupta, Commissioner, Textiles, Govt. of India was the Guest of Honor; Mr Gregory Taevs, Commercial Consul, US Consulate, Mumbai delivered Special Address; Mr Ajit B Chavan, Secretary, Textiles Committee, Govt. of India delivered Keynote Address and Mr Arvind Sinha, President, Textile Association of India gave concluding remarks.

Around 85 people attended the program consisting senior officials from State Government, US Consulate, Corporates and Media. The audience was very enthusiastic and raised many relevant questions to speaker and leadership.

Inaugural Session:



(From L to R): Dr Lalit Kanodia, Immediate Past Chairman, IACC; Mr Gregory Taevs, Commercial Consul, US Consulate, Mumbai; Mr Suresh Kotak, Chairman, IACC Textile Forum; Dr Kavita Gupta, IAS, Commissioner, Textiles, Govt. of India; Mr Ajit Chavan, Secretary, Textile Committee, Ministry of Textiles, Govt. of India; Mr Arvind Sinha, President, TAI

Mr Suresh Kotak, Chairman, IACC Textile Forum:

Mr Suresh Kotak as a Chairman of IACC Textile Forum he gave welcome address and thanked supporting partners in taking keen interest in promoting this initiative to build greater synergy & symbiotic relationship between two nations in promotion as well as research & development in textiles.

Mr Kotak emphasized that India is the second largest producer of textile and apparel in the world. The Indian textile and apparel industry is expected to reach US \$ 221 billion by 2021 according to Technopak's Textile & Apparel Compendium. India & USA are strong partners in promotion of textile business.

There is significant transformations taking place in the Indo-US bilateral economic landscape. Bold policy initiatives are being unveiled in India to accelerate the development process and India US can achieving indefinable business in textiles.

Dr. Lalit Kanodia, Immediate Past President, IACC:

Dr Kanodia is Chairman & Managing Director, Datamatics Global Services Pvt Ltd, Immediate Past President, IACC delivered special address in the seminar. He congratulated Mr Suresh Kotak for taking up this initiative and in creating a platform where stakeholders can deliberate & find out scope of cross border collaboration in textiles. He mentioned that Textile is one of the oldest sector of doing business in India. The first textile business was set up by Tatas in Nagpur and thereafter there were many other players like Birlas (Century Mills), Mafatlal, Ruia, Wadia, Lalbai and Piramal. He also mentioned that Textile comes under the basic human needs Roti, Kapada, Makan & Kapada signifies that it's one of the basic need of human being. The nation's need is to create 1 million jobs every month. Due to its labour intensiveness, the Textile Industry can certainly create many of these jobs.

It is estimated that the total worldwide revenue of Textiles is about \$970 billion and from Apparel is about \$1440 billion. Combined they constitute about \$2.3 trillion of the global economy. This exceeds the \$1.5 trillion of the Software Industry. The global revenue of Textiles is growing at 6% p.a. and that of Apparel growing at 4% p.a.

Despite our labour competitiveness and demographics we rank No. 5 or 6 in the world in the production of Apparels. In fact, Bangladesh and Vietnam export more Apparel than India, though I believe we are going to catch up with them shortly. The largest producer of Textiles and Apparel in the world is China at \$300 billion p.a., despite the fact that its wages are significantly higher than India. 15. I have no hesitation in my belief that India needs to provide a thrust to the Textile and Apparel Industry and increase its size. A recent study claims that it has the potential to grow to \$400 billion p.a.

Mr Gregory Taevs, Commercial Consul, US Consulate, Mumbai:

Mr Gregory Taevs, Commercial Consul, US Consulate, Mumbai delivered Special Address in the Seminar on Indo US Partnership in Textiles.

He stressed on the fact by saying that U.S. - India bilateral relations have been described as a global strategic partnership. Both the countries share democratic values and bilateral trade and investment. Our two Governments have taken steps in the last few years to build a strong foundation for a long-term partnership. To increase bilateral trade, both the Governments have pledged to explore new opportunities to break down barriers to the movement of goods and services, to integrate global supply chains, thereby creating jobs and generating prosperity in both economies.

The U. S. is the second largest trading partner of India. The bilateral goods and services trade between the two countries exceeded \$100 billion in 2016. Both countries aspire to increase bilateral trade to the tune of \$500 billion annually by 2020. As Indian companies continue to look for opportunities overseas, many Indian companies are looking at U.S. as an investment destination.

India has emerged as one of the fastest growing sources of FDI into the United States. For the fifth year in a row, global business executives have named the United States as the top destination for business investment, according to A.T. Kearney's Foreign Direct Investment (FDI) Confidence Index.

He was pleased to announce about the SelectUSA Investment Summit to be held from June 18-20, at the Gaylord National Resort and Convention Center. This year's theme is "Grow with US". Featuring investment opportunities from every corner of the United States for global investors. States are competing with one another to offer the best incentives to come to their states.

The Indian textile industry is vitally important to the Indian economy. Textiles contributes significantly to the GDP and export earnings. India is the second largest manufacturer and exporter in the world. The U. S also a globally competitive manufacturer of textiles. Ranking third in global export value behind China and India, U.S. exports of textiles increased 39 % between 2009 and 2015, to \$17.6 billion.

The U.S. textile industry includes textile raw materials, yarns, fabrics, apparel and home furnishings, and other textile finished products. Our major strength is in cotton, manmade fibers, and a wide variety of yarns and fabrics, including those for apparel and industrial end-uses.

Though much of the American cotton is re-exported as home textiles from India, we understand that increasingly U.S. cotton is in apparel made in India for Indian consumers.

Some of the important observations which he highlighted are as follows:-

- Steady growth is expected in the global technical textiles market.
- Manufacturing technical textiles demands specific raw materials, machinery and equipment that are not readily available in India. Presently, India's technical textile industry is based on producing commodities that are not very R&D intensive. American companies can provide Indian companies a competitive edge.

- India's market share in the technical textile sector is expected to grow but it has a long way to go in order to be globally competitive in the technical textile sector.
- U.S. exports of technical textiles to India grew at 18 % last year. U.S. exports of technical textiles are projected to be worth \$85 million by 2018.

Mr Ajit B Chavan, Secretary, Textile Committee, Ministry of Textiles, Govt. of India

Ajit B Chavan, Secretary, Textiles Committee, gave a brief introduction on the background of the program. He said India is a major global textile economy with textile exports worth \$40 billion. India ranks 4th and 5th among the top 10 textiles and clothing exporting countries respectively. India's top exports destinations are Europe and the US with total exports touching \$16.78 billion in 2016. Textiles and apparel exports are estimated to reach USD 62 billion by 2021 from the USD 38 billion in 2016. Traditionally India's key export demand is driven by Europe and America but new markets such as Iran, Russia and South America are opening up.

The Textiles Committee of India serves textile trade and industry by providing various services including testing, inspection, market research, total quality management and more.

The Textile Committee is rolling out a Zero Defect program for the textile industries to maximize profit by reducing wastes.

Dr Kavita Gupta, IAS, Textile Commissioner, Govt. of India:

Dr. Kavita Gupta, Textile Commissioner, Ministry of Textiles was the Guest of Honor in Seminar on Indo US Partnership in Textiles & Implication of GST. She stressed upon the need of R&D in the textile and apparel industry, which needs to be addressed collectively and in time bound manner. Dr. Gupta also said that the Govt. of India is primarily looking out to promote technical textiles and textile machinery and to boost exports in the respective field. India & USA can be strategic partner in promoting technical textiles.

Mr Arvind Sinha, President, Textile Association of India:

Mr. Arvind Sinha insisted that Global Business environment is changing and new emerging opportunities. India & US is already enjoying good business environment and such conditions major joint venture can happen where we have raw materials preparation in India and finishing units in USA. There are tremendous new global opportunities, India & US can become the Hub for excellent research and development opportunities and lot of innovations can be converted into the commercial ventures. Therefore this initiative of Indo American Chamber of Commerce can really bring very fruitful results.

Arvind Sinha also insisted that there is need for building huge and high quality production facilities if we want large business houses with big business possibilities. He also indicated that there is need for calling big stores such as Wal Mart, COSTCO etc. to India to discuss their business possibilities in India.

Panel Discussion I: India USA Partnership and Creating Road Map for Future Growth



(From L to R): Mr Sanjeev Saran, Former Chairman, SRTEPC; Mr R N Bhaskar, Consulting, Business Editor; Mr R D Udeshi, President, Polyester, Reliance Industries Ltd; Mr Arvind Sinha, President, TAI

The panel discussion was very interactive and informative. It was moderated by Mr R N Bhaskar, Consulting, Business Editor. The esteemed panelist were Mr R D Udeshi, President, Polyester Chain, Reliance Industries Ltd; Mr Sanjeev Saran,

Mr R D Udeshi, President, Polyester Chain, Reliance Industries Ltd:

Mr R D Udeshi, President (Polyester Chain), Reliance Industries Ltd in his special address said that the growth of manmade textiles is playing an important role in the textile industry. He said, since Govt of India is aiming to grow the size of Indian Textile & Apparel industry from USD 110 billion to USD 400 billion, the input for such size from Man Made Fiber will also multiply and hence required immediate attention on its development as cotton only may not be able to fulfill that demand. He also emphasized by saying that Government should help the textile industry in bringing fiber neutrality policy to abolish differential tax system for cotton and man-made fibres.

He said that China is the world leader in exports of textiles as it enjoys competitive advantage in terms of low cost of production, quality and the cost of power is extremely low as compared to any other countries. He also referred many other areas such as

- Major concerns for Textile industry are volatile prices, low profitability, rising costs, supply inconsistency, sourcing reliability; Competitive prices and low volatility render polyester as a tool to battle price fluctuations
- Application variability and diversity facilitates use of polyester in many niche applications
- Easy scalability and competitive investments assure polyester as a fiber for future needs
- India forms an attractive destination for downstream investments, with raw material security, domestic demand, strong logistics, product development and strong finance & legal system

Mr Sanjeev Saran, Former Chairman, Synthetic Rayon and Textiles Export Promotion Council:

Mr. Sanjeev Saran shared lot of his experience for last few decades, he also suggested that business environment has considerably changed in India, there is a focus on quality innovation, supply chain etc. but there is a need for improving the volumes, creating high production capacities, political environment is very favorable for business and great initiative by Government of India to improve business relations and opportunities.

Panel Discussion II: Implication of GST on Textiles



(From L to R): Mr Arvind Bhansali, VP, Indirect Taxation, Reliance Industries Ltd; Mr Arvind Sinha, President, TAI; Ms Nidhi Marwaha, Asst.VP, ICRA Limited

Mr Arvind Bhansali, VP Indirect Taxation, Reliance Industries Ltd:

He is one of the most sought after speaker on indirect taxation particularly GST Code. His insights on the new GST policy and its implication on Textiles was really helpful for the Textile Industry.

He referred to the following points while touching upon GST:

- Increase in the effective tax rate may have negative impact on the pricing of Textiles.
- GST on textiles will remove existing tax stranding of inputs / input services / capital goods.
- Taxes paid on purchase and installation of capital asset and equipment can be claimed as ITC. This will encourage up-gradation and expansion of the Textile Industries with latest improved technologies.
- Compliance cost in the GST regime will be generally lower due to fewer taxes. However, textile sector being outside GST at present will face compliance burden.
- Fiscal barriers will be removed for the movement of Textile inputs and outputs from one State to another.
- Under GST, all kinds of Fiber will be treated in the same way. There is no discrimination likely between cotton fiber and man-made fiber in the GST Structure.
- Job work activity under GST will be considered as service, composition scheme would not be available and tedious procedural aspects need to be complied with.
- Credit will be available subject to matching/verification with returns filed and payments made by the supplier of goods or services.

Ms Nidhi Marwaha, Asst.Vice President, ICRA Limited

❖ Textile Sector – Current situation

- India – 6th largest apparel exporting nation, after China, Bangladesh, Vietnam, Italy and Germany
- Export of raw cotton and other intermediaries such as yarn and fabrics, accounts for ~27% of India's total textile exports - Points towards scope for further value-addition in the country
- Potential Roadblocks – Some of the potential road blocks include fragmented nature of the industry, higher capacities in the upstream sectors, regionally-dispersed value chain , high focus on cotton, range-bound cotton production vis-à-vis faster pace of growth in demand

❖ Opportunities to capitalise on

- Decline in China's apparel exports in the past two years
- Fast growing domestic market
- Scope for investments in the down-stream sectors and increasing share of value-add products in India's exports

❖ Way Forward

- Attract investments, benefit from scale, capitalize on strengths and diversify into geographies and product offerings