

# Breather for textile industry as cotton import duty removed

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Ahmedabad: After the government on Wednesday removed the basic customs duty on cotton, textile industry players heaved a sigh of relief. It also offers some respite to cotton traders as well as manufacturers of yarn, fabric and apparel in availing cotton.

Prices of the commonly used cotton variety — Shankar-6 — more than doubled to touch Rs 93,000 per candy (356kg), due to which local cotton prices surged past international prices.

“Removal of duties was much-needed; however, it should have been imposed two months ago. A lot of damage to the value-added industries in the textile value chain has been done. Prices may not come down soon because of this but the least it can do is ensure availability of cotton,” said Sanjay Jain, chairman, ICC textiles committee.

Industry players, however, feel that the government needs to take stronger short-term measures such as making mandatory stock disclosure and tightening MCX trading norms.

Rahul Mehta, chief mentor, Clothing Manufacturers’ Association of India (CMAI) said, “The move will make adequate cotton available in the market and to some extent help rationalize cotton prices in the days to come. This will have a positive impact on the textile value chain and if prices of other raw materials also come down, the future looks bright in terms of export and domestic demand.”

“With the cost of cotton going up from Rs 60,000 to Rs 90,000 per candy in six months, many small players would have faced the closure of mills. Removal of import duty will ease pressure on the manufacturers who are facing shortage. The imposition of import duty had placed Indian Textile manufacturers at a disadvantage vis-à-vis Pakistan, Bangladesh and Vietnam. The rise in cost of production affected the competitive price advantage for Indian manufacturers,” said Ronak Chiripal, CEO, Nandan Terry Limited, echoing a similar view.

However, the international cotton prices have gone up by more than 5%, making imports costlier.

Rahul Shah, co-chairman of GCCI textile committee said, “We had demanded a duty cut three months ago. Mills will have an option of imported cotton so the domestic prices will go down. Many mills have recently placed orders for imported cotton and we believe this decision will bring stability in prices. However, we are witnessing a speculative market. Only time will tell if cotton prices will go down or not.”