Home textiles, garment exporters in sweet spot

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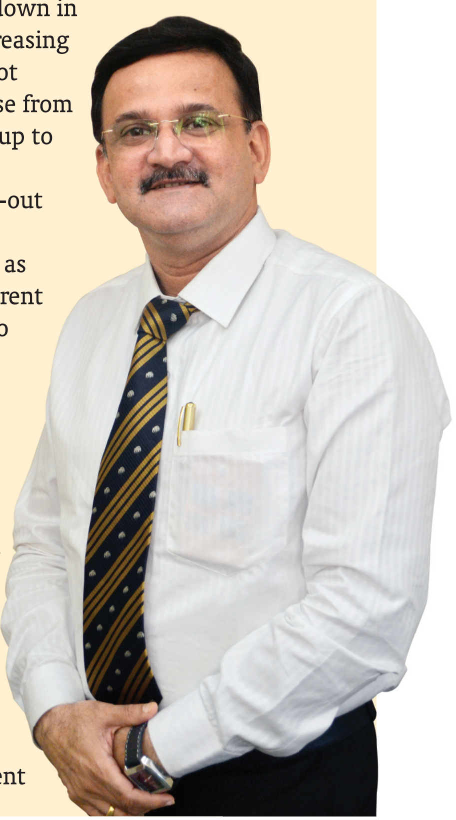
The dollar has been going up in the recent times. How has this affected textile machinery import?

Most of the textile machinery imports are in Euro as the high tech machinery suppliers are mostly located in Europe (followed by Japan and China). The depreciation of Rupee, although good for textile exporters, has been bad for the capital machinery importers. Since the machinery suppliers do not gain from any change in the currency dynamics, they are usually reluctant to reduce prices to accommodate currency loss of the importers. This makes the imports expensive for the importers. Unfortunately, some of the machinery like Autoconers, High-speed weaving machines, High tech processing machinery and garment stitching/sewing machines are mostly imported and this is going to burden the textile industry a lot. On one side, there is a dire need to upgrade the manufacturing by inducing state-of-the-art technology, but on the other hand, currency depreciation has put a break on the imports thus affecting the pace of industrial modernisation. Certainly, in the last couple of months, there has been a slow down in fresh orders for imported machinery due to the prevailing uncertainty on the currency front.

How does A.T.E. as a collaborator manage this predicament?

The fact that the emerging market currencies are under pressure due to the US and China trade war and increasing oil prices, has been well understood by our principals as well and they are also anticipating some slow down in the order flow from India. We are constantly updating our foreign principals about the current situation in the country and make them prepared accordingly. A.T.E. has some joint ventures with European manufacturers where in some parts are imported for use for building the machines. The Rupee depreciation has certainly posed a challenge for us as input costs have escalated due to the same as well as due to the increasing commodity prices (especially steel, aluminum, etc.). At this juncture, when the user industry itself is in trouble due to slow down in bank financing and increasing cotton prices, we can not expect any price increase from the customers. Instead up to a certain point, the manufacturers make all-out efforts to cut down the manufacturing costs so as to manage with the current price realizations, not to burden the customers.



What are the foreign partners' views about this trend?

Our foreign partners are well aware of the current situation in India on the front of currency, bank financing delays and pressure on the margins of the textile manufacturers. At present they adopt 'wait and watch' approach in order to see if the situation worsens further or it halts and starts improving. It is very difficult for anyone to predict how currencies will behave in the near future as its the direct result of many of the external factors which are not under our or our principals' control. However, most of them being empathetic to the woes of Indian customers, are open to help out customers in the given situation by supporting them to the maximum extent, whichever way possible.

Do you feel it will be a long-term problem?Your views and opinions for a relief to the iustomporting industries?

As said earlier, even a great astrologer can not predict what will happen in future. Amongst the emerging markets, India is in a much stronger position and will certainly sail through these difficult times. The Indian economy is certainly under tremendous pressure due to depreciating Rupee and increasing oil prices (due to US restrictions on Iran). This scenario is unlikely to change in the near future and according to me, we are in a challenging situation for a much longer period than one can anticipate. However, the positive side is that the exporting industries like textile, pharma and IT will get immensely benefitted due to weaker Rupee. Our textile customers who have a high share of exports (like in home textiles and garment sector) will certainly be in a sweet spot for some more time. I personally feel that we have to be mentally prepared that Rupee will be in the range of 71 to 75 per US dollar and 82 to 87 per Euro for the next few months and all importers should accordingly prepare themselves by hedging the currency.

Views on the current prospects of textile mach industry.

The Indian textile industry has been facing some headwinds for sure at this juncture as banks are slow in financing loans to textile customers. This has also affected the textile machinery manufacturers due to slow down in order inflows. Also, the cotton and synthetic fibre prices are at a much higher level than the last year. This has made situation of spinners very difficult. Somehow the tempo of investment in weaving and processing is still on, although at a somewhat reduced level since there is still a big backlog of modernization in these sectors. Since the dependence of certain segments like automatic winding, weaving, and processing is much higher on imports, there will be a lot of pressure on fresh order inflows in the coming months for the machinery suppliers in these segments. On the positive side, many state governments have come out with very attractive textile policies which will encourage investments in the coming months. In addition to that due to GST, the organised players have now a level-playing field, which is motivating them to expand their capacities further and tap bigger opportunities in exports. This will certainly prop up demand for the textile machinery. The corporates who have larger exports will have no problem in importing machinery due to the currency hedge. Overall there will be a higher impact on the Indian textile machinery industry, due to the higher cost of imports, increase in steel and other input prices and on the other hand facing the slowdown in the user industry due to financing issues.