

LETTER TO STATE FINANCE MINISTERS

Date : 16th June 2020

Respected Sir,

On behalf of our close to 4,000 members, the Clothing Manufacturers Association of India (CMAI) would like to thank you for your consistent support to the cause of the Domestic Garment Industry, especially in the sphere of maintaining reasonable and equitable rates of GST for the Industry.

As you are aware, mainly due to your strong support, most of the Textile Value Chain has been placed in the 5% GST bracket – the only exceptions being the Polyester Fiber (18%) and Yarn (12%) sectors, and Garments above Rs.1,000 MRP (12%).

Whilst this has helped the Industry to keep its costs to the minimum and offer a competitive price point to the end consumers, it did create a sector specific problem of Inverted Duty Structure in the Man-Made Fiber and Yarn Sectors.

However, the Industry has learnt to live with it and achieved some form of stability with the GST regime, especially in its pricing strategies.

You are aware that time and again, proposals are coming to the GST Council, of which you are an important member, to resolve the Inverted Duty Structure by making the entire Textile Value Chain subject to a 12% rate. This would result in the Garments worn by the common man (priced below Rs.1,000) becoming more expensive by nearly 7%.

Sir, we strongly believe that this will be a case of the remedy being worse than the disease.

1. The Consumers are today reeling under the COVID crisis with job losses and salary cuts for the employed, and massive drop in business earnings for the self-employed looming large on their heads – apart from the daily stress about the health and safety of their families.

This is hardly the time to impose a price increase on an item of daily use, especially for the low, and middle-income sections of society. If at all, the current economic crisis presents a strong case for reducing the 12% rate to a uniform 5% rate for all Garments – regardless of its price. **In fact, if the Government is keen to have a simplified and uniform rate across the Value Chain, today's circumstances indicate a strong need to levy a uniform rate of 5% on all sectors of Textiles.**

2. We would also like to emphasize that the issue of Inverted Duty Structure does not exist in the entire Cotton Value Chain, as all sectors are in the 5% slab.

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3. It is also non-existent at the Garment stage, because all fabrics, Cotton or Man-made, are at 5%. There is therefore no issue of an Inverted Duty Structure.

We would therefore urge you to continue to oppose any efforts to increase any of the GST rates in the Textile Value Chain, especially at the Garment stage. A price increase in the current context would be disastrous.

With a view to highlight the state the Domestic Industry is in currently, we are giving below the results of various Surveys conducted by CMAI over the last few weeks, which indicates the crisis the Industry finds itself in today:

- May Sales were down by 84% compared to May of 2019 – and that too because many factories had started producing Masks and other PPEs.
- 83% of the respondents surveyed reported less than 5% sales as compared to May '19 sales.
- Only 22% of Garment Factories across the country had started operating.

The indicators are clear. The Industry is heading towards an unmitigated disaster. An increase in the prices of Garments really must not be contemplated in such circumstances.

We looked forward to your continuous support for our Industry.

With Respectful Regards,

Yours Sincerely,

Sd/-

Rakesh Biyani
President

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