CHAPTER No-VIII

PROSPECTS OF CHADDAR INDUSTRY
In Solapur

8.1 EXPORT POTENTIAL
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8.3 CHANGING SCENARIO
8.4 MEASURES FOR INCREASING MARKET POTENTIAL
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CHAPTER NO - VIII

PROSPECTS OF CHADDAR INDUSTRY
IN SOLAPUR

An attempt has been made in this chapter to explore the export potential for Jacquard chaddar in different countries. Moreover, the measures that are required to be undertaken for increasing marketability of this product in domestic and international market has also been discussed.

8.1 Export Potential:

The chaddar industry which was growing with a rapid speed from 1950 of 1990, though shows a slightly declining trend in the recent years, is having tremendous prospects both in national as well as international market. At export checking the rate of rejection of chaddars is hardly 15% while corresponding rate for other products is more than 25%. The chaddar industry in Solapur has been exporting chaddars to Dubai, Saudi Arabia, South Yemen people's Republic, Oman, Bangladesh, Srilanka, U.S.A., Japan, U.K. etc.

The Growth in the export of chaddars to these countries can be seen from the following table.
Table No. 8.1

Year wise Export of chaddars

<table>
<thead>
<tr>
<th>Year</th>
<th>Export in million Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td>95.30</td>
</tr>
<tr>
<td>1991-92</td>
<td>371.55</td>
</tr>
<tr>
<td>1992-93</td>
<td>666.45</td>
</tr>
<tr>
<td>1993-94</td>
<td>1092.96</td>
</tr>
<tr>
<td>1994-95</td>
<td>1484.01</td>
</tr>
</tbody>
</table>


It is clear from the above table that there is good potential for export of chaddars in different countries. From the countries like Holland, Belgium, Sweden, there is a large demand for chaddars tailored to their need and wants.

With the trend projection method of demand forecasting it can be estimated that in the year 1997-98 the export will be to the tune of 2684 million Rs. because from 89-90 to 90-91 the increase in export of chaddar was Rs.276.25 million from 91-92 to 92-93 it was 294.90 million from 92-93 to 93-94 the export of chaddar increased by Rs. 426.51 million and from 93-94 to 94-95 it has increased by Rs. 391 million.

Considering the yearly production of chaddars which is 9,18,19,728 pieces or in Rs. 578,46,42864 (Five hundred seventy eight crore, forty six lakh, forty two thousand eight hundred sixty four only), the export of 14.84 crore in 94-95 is just 2.5% which is very negligible.
As stated above these exports are very low because the number of exporters in Solapur, who export chaddars are very less. Out of the sampled '84' manufacturers only fifteen manufacturers were found to be exporting chaddar as given in the following table.

**Table No. 8.2**

<table>
<thead>
<tr>
<th>Size</th>
<th>No. of Respondents</th>
<th>Export Through Agents</th>
<th>Export Through texprocil</th>
<th>Total No. Of Exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>37</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>Medium</td>
<td>37</td>
<td>09</td>
<td>02</td>
<td>11</td>
</tr>
<tr>
<td>Large</td>
<td>10</td>
<td>04</td>
<td>nil</td>
<td>04</td>
</tr>
</tbody>
</table>

The above table reveals that out of 84 respondents, there are 15 exporters who belong to either medium or large size of units. Most of them have been exporting through agents in Mumbai. There are only two exporters who export their chaddars directly through TEXPROCIL that is Cotton Textiles Export Promotion Council, Mumbai.

The agents who export the chaddars skim the cream leaving meagre amount as margin to the manufacturers. The chaddar manufacturers therefore don't feel like exporting their products.

Other reasons for less exports stated in chapter No. 6 are as follows:

1) No access to the information on export potential to various countries.
2) Ignorant about, the export procedure and its documentation.
3) Lack of will power/initiative on the part of a manufacturer.
4) Absense of a Export House in Solapur.
5) No encouragement from Govt. agencies to increase exports.

All these factors together have affected the growth of exports in Solapur.

8.2 Domestic (National) Market:

The chaddar Industry in Solapur has created monopoly for its Jacquard chaddar in India. In no state in India chaddars are manufactured on such a large scale. In Panipat (U.P.) Chaddars are manufactured on Handlooms. Because of its unique features as stated in chapter no. 5 the Jaquard Chaddar from Solapur has won the hearts of millions of Indians from almost all the states. It is relatively more popular in south, east and western part of India.

In north it has to compete with shawl and scarves and blankets which are more popular in these states. Through their agents the chaddar manufacturers book orders with the distributors from different states and accordingly tailor their products to the needs and wants of the customers in these states. The colour combination, yarn content, quality of chaddar and the size offered to people in different states are different.

8.3 Changing Scenario:

As stated in chapter No. 5 since 1950 to 1990 this industry grew with a rapid speed showing increase in the number of looms engaged in the manufacturing of chaddars and its market share. However since 1991 it is showing a declining trend.
One of the reasons why this industry is showing a declining trend is the shifting to looms from chaddar manufacturing to towels as the demand for towels for exports has been increasing since 1991. This phenomenon can be made clear by the following table:

Table No. 8.3

Comparision between Export of Towels and Chaddars

<table>
<thead>
<tr>
<th>Item</th>
<th>Year 91-92</th>
<th>Year 92-93</th>
<th>Year 93-94</th>
<th>Year 94-95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Towels</td>
<td>559.00</td>
<td>1003.64</td>
<td>1665.97</td>
<td>3096.82</td>
</tr>
<tr>
<td>Chaddars</td>
<td>371.55</td>
<td>666.45</td>
<td>1092.96</td>
<td>1484.01</td>
</tr>
</tbody>
</table>

Source: TEXPROCIL - Mumbai Annual Report 93-94 and 94-95

The above table reveals that the export of towels from 91 to 95 has increased by 6 times i.e. from 559 million to 3096.82 million Rs. whereas the export of chaddar in the same period has increased by '4' times only.

8.4 In order to make this change favourable to the chaddar industry and to tap the tremendous potential available for this industry in the national and international market the following measures must be undertaken by the concerned associations/organisations, Chaddar Industry, and the Government immediately:

8.4.1 Quality Standards and style of the product:

The growth of the industry being haphazard over the years. It is but natural that the problems are numerous, but the most important is that, the quality of the chaddars manufactured need to be improved to meet the
export standards. It is therefore necessary for the industry to replace the old machinery with new technology, and use the quality yarn for the export varieties of chaddars.

As regards the style of the product, by making few changes and introducing new features and uses the marketability of chaddar can be enhanced. The manufacturers can market their chaddar as Furnishing Material or Mats, or Table Mat, Namaz Piece, or a Wall Hanging. This would require few changes in the yarn used and designs.

In order to compete with the shawl in the north the industry needs, to introduce chaddars with very low weight by using fine yarn i.e. 2/32, and 2/40. The chaddar industry has to compete with the blankets and shawls not only in the Indian market but also in international market. Because the export of these two products is also considerable as given below:

**Table No. 8.4**

**Export of shawl and scarves and blankets**

<table>
<thead>
<tr>
<th>Item</th>
<th>Export in million Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blankets</td>
<td>21.79</td>
</tr>
<tr>
<td>Shawls /scarves</td>
<td>212.67</td>
</tr>
</tbody>
</table>

*Source: TEXPROCIL - Mumbai*

It may be seen from the above table that the export of blankets which was increasing from 91 to 93-94 is showing a declining trend in 94-95 where as the corresponding figure of the export of shawls /scarves has
been increasing over the years. It was 212.67 million Rs. in 91-92, and has increased to 423.03 i.e. doubled the export in four years.

It is therefore very important for the chaddar industry to introduce the varieties which will compete and outsmart the shawl in both in national and international market. The countries where geographical climate is more or less similar to India, chaddar can be exported more with few changes in its style as stated above.

8.4.2 Export House:

In order to encourage the chaddar manufacturers to export more the Government should set up an "Export House" exclusively for the chaddar Industry in Solapur.

8.4.3 Finance:

The required finance should be made available to the exporters in time through the local industrial development bank.

8.4.4 Powerloom service centre:

In co-ordination with the Export House, the powerloom service centres should try to provide guidance as regards the quality, design, new features to be added in export quality chaddar. It should also help the chaddar industry in updating the technology and educate the workers.

8.4.5 Promotion Mix:

The chaddar Industry in Solapur at present doesn’t spend much on advertising and publicity. Through its association or federation it should advertise the products and the varieties both in India and abroad so that its market-share can be increased.
8.4.6 Workshops/Seminars:

Periodical seminars and workshops should be conducted by either Powerloom service centre or the powerloom association in Solapur to educate on export marketing and production of quality chaddars.

Through such workshops following export benefits should be made known to the would be exporters of chaddars:

a) **D.E.P.B. scheme**:


Under the Duty Entitlement Pass Book (DEPB) Scheme, an exporter shall be eligible to claim credit as a specified percentage of fob value of exports made in freely convertible currency. The credit shall be available against such export products and at such rate as may be specified by the Director General of Foreign Trade by a Public Notice issued in this behalf.

Any item except those appearing in Negative List of imports shall be allowed for import without payment of basic customs duty, special duty of customs as well as additional duty of customs, against the credit under a Duty Entitlement Pass Book (DEPB). The holder of Duty Entitlement Pass Book (DEPB) shall have the option to pay additional customs duty, if any, in cash as well.

Third party exports are also admissible for grant of credit under DEPB. The DEPB shall be valid for a period of 12 months from the date of its issuance.
The goods already imported/shipped/arrived in advance but not cleared from customs may also be cleared against the DEPB issued subsequently.

As specified in the notification, imports and exports under the scheme against a particular DEPB can be made from any one of the specified ports/airports/ICDs etc. In other words, DEPB issued for a particular Port of Registration is not valid for import or export through any other port, airport or ICD. Although a provision to the relevant condition in the Customs notification permits Commissioners of Customs to allow import or export from other Port/Airport/ICD and LCS, this power should be exercised only in consultation with the Chief Commissioner.

b) Drawback:

The Government has fixed drawback rates for many of the items of cotton textiles. These rates are revised from time to time according to the change in excise and customs duties. The drawback represents refund of non-remitted excise and custom duties on inputs used in the manufacture of export products. In order to be eligible for drawback benefits, the exporter should export the goods under drawback shipping bill.

The shipping bill should be clearly superscribed as under claim for “Drawback Claim Copy.” On the shipping bill copy, the exporter should give apart from the usual details, the applicable sub-serial number of the drawback schedule, the rate of drawback applicable and the amount list, declaration and test report wherever applicable, should be furnished to the customs.
c) Excise duty refund or clearance of goods without payment of duty:

When goods are to be exported under claim for rebate of excise duty as provided in excise rule - 12 or under bond as provided in excise rule - 13, the packages after necessary marking and numbering, should be presented to the proper officer of Central Excise together with an application in the proper form in quadruplicate. The excise officer after necessary verification and sealing of packages, endorses all copies of the application, returns the duplicate to the owner. At the port or place of export, the goods should be presented with the duplicate copy of the application. After necessary verification of goods the Customs Collector or border examiner shall allow export and then certify duplicate copy of the application.

In order to obtain payment of the rebate, the exporter is required to produce to the Collector of Excise the duplicate application bearing the certificate of export and customs endorsement. After verification and on comparing with the particulars given in the original application despatched by the certifying officer, the rebate will be sanctioned. The bond submitted under the excise rule - 13 is released after submission of proof of shipment.

d) Octroi Duty:

Under the Octroi Rules, articles imported into port towns for the purpose of export out of India, are exempted from payment of octroi duty under the N form and E.P. form facility. The procedure for availing this facility is laid down in the octroi rules 1965 and is available at BMC octroi department. Where payment of octroi duty has been made, refund of the same is allowed on exportation.
e) **Deduction under 80 HHC of the income tax act** :-

Under the section 80 HHC of the Income Tax profits from the business of exports are eligible for deduction from the taxable income.

The profits from the business of export is calculated differently in the case of exports of goods.

a) Manufactured by the assessee.

b) Not manufactured by the assessee but purchased from the third party.

c) Manufactured by the assessee as well as purchased from the third party.

Profit on sale of exim scrip and receipts by way of duty drawback will be treated as export profits in the proportion of the export turnover to the total turnover of the business.

f) **Pre-shipment credit facilities** :

Pre-shipment credit is made available at concessional interest rate by the commercial banks to the manufacturer-exporter and merchant exporter for exports. Similarly, post shipment credit is also extended by the banks to exporters.

g) **Advance licence scheme** :

Under the duty exemption scheme, an exporter can obtain raw material from overseas sources on duty free basis for fulfilling an export order. Input output norms have been fixed for imports of raw material under the scheme. Raw cotton is now permitted for import against export of cotton yarn and fabrics and suitable norms have been fixed for the purpose. Suitable norms have also been fixed for import of grey fabrics.
against exports of finished fabrics. Intermediate manufacturers can also avail the facility provided under the scheme. Licences issued for export and replenised material imported are freely transferable subject to certain conditions.

8.4.7 Sample Library :-

Sample library of representative qualities sold abroad by the local chaddar manufacturers need to be set up at the powerloom service centres.

8.4.8 Participation in commodity fairs abroad :-

There are International Fabric and House Hold Textile Fairs organised in Europe, USA, and certain South East Asian countries. The Chaddar Industry would do well to participate in these fairs where business is done on the spot. This will also help the participants/visitors to know the needs and wants of the customers in these countries.

8.4.9 Exports through co-operative Societies :-

Since the units in the powerloom sector are quite a small to organise exports in a big way formation of co-operative societies and exporting through them of the chaddars manufactured by its members as it is being done by Solapur District Co-operative powerlooms federation would be a step in the right direction.

8.5 Export Service Rendered By PDEXCIL :

In the year 1995, the Ministry of Textiles Govt. of India has founded the Powerloom Development and Export Promotion Council for the development and export promotion of powerloom sector in India in general serve the following objectives in particular:
1. Exploration of overseas markets.
2. Identification of items with export potential.
3. Market survey and up-to-date market intelligence.
4. Contact with prospective buyers to interest them in the products of powerloom owners in India.
5. Providing company's profile to overseas buyers and vise-versa.
6. Advice on international marketing.
7. Display of selected product groups.
8. Arrangement for supply of indigenous and imported raw material for export production.
9. Resolving shipping and transport problems.
10. Advice on export finance, banking and insurance.
11. Extensive publicity in India and abroad.
12. Participation in trade fairs & Executions abroad.
13. Deputation of trade delegations, study teams and sales teams to foreign market.
15. Caters to all the developmental needs of powerloom owners.

The chaddar industry in Solapur should approach the above council for its further development and necessary guidance. However, a branch of PDEXCIL if opened at Solapur will go a long way in solving many problems of this industry.
All the above said measures will definately go a long way in increasing the marketability of Solapur Chaddars both in national and international markets.