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Textile firms mull moving abroad to escape high cost

KARACHI: A number of textile manufacturers are moving their operations abroad or at least considering overseas expansion as cost of doing business, stuck up refunds, and high interest rates make products of world's key producer more expensive, industry officials said on Monday.

Officials said, Reshma Tex Limited, a leading textile firm, is already in talks to set up a textile factory in Vietnam.

“Senior officials of Reshma Tex held meetings with Pakistan’s Commercial Section in Vietnam and authorities concerned in the South East Asian country to discuss modalities of developing a textile factory there,” an official at the state-run Trade Development Authority of Pakistan (TDAP) said.

The official said textile industry is facing “a severe liquidity crunch and no one was considering any expansion plans, at least in Pakistan”. “A number of manufactures are evaluating relocation or expansion abroad.”

Meeting the operating expenses has become a challenge for the entire textile sector because of the acute shortage of liquidity, while the export-oriented industrial units were shutting down.

Contrary to the claims of the government to expeditiously process and make payments against refund claims, only sales tax refund claims have reached Rs350 billion, of which Rs100 billion were accumulated in the last four months since the government ended the sales tax zero-rated regime.

Millers earlier this month asked the government to bring back zero-rated tax facility on textile sector as it has failed to fulfill a promise on release of sales tax refunds of exporters within 72 hours under a new system implemented four months ago.

All Pakistan Textile Mills Association (Aptma) the government promised to release refunds to the exporters within 72 hours after 17 percent sales tax on raw materials import was restored following withdrawal of zero-rated facility.

The government withdrew zero-rated facility for five export-oriented sectors in the budget for the current fiscal year.

“Over 40 units have closed, as government contrary to their claims, failed to issue sales tax refunds, which only in the last four months piled up to Rs100 billion,” Pakistan Apparel Forum Chairman Jawed Bilwani said at a joint press conference of value-added textile exporters associations earlier this month.

He said that the government had promised to release the stuck up sales tax refunds on November 20, 2019, but the money has not been received yet.

“Many small scale companies had shut down while the rest had adopted a wait and see policy. No one wants to move out of Pakistan, but the circumstances have compelled the industrialists to move out.”

It may be mentioned here that the country’s textile exports posted growth of 7.4 percent during the month of October 2019, with total textile exports at \$1.215 billion, compared to \$1.131 billion in the same month last year.

Cumulatively, textile exports during the four months of the current fiscal year 2019/20 inched up by 4.0 percent to \$4.587 billion compared to \$4.406 billion in the same period last year.