

Industry Flash

13 July 2007 | 5 pages

Indian Textiles

Textile Exporters Set to Benefit from Government Relief Package

- Government announces package to help exporters** — 1) DEPB (Duty Entitlement Pass Book) rates enhanced by 3% for 9 sectors including textiles and readymade garments; 2) Duty drawback rates enhanced by 10-40% of existing rates; 3) Interest rate on pre and post-shipment credit reduced by 2%; 4) ECGC premium reduced by 10% of existing rates; 5) Rs6bn released to clear all arrears of terminal excise duties and CST reimbursement.
- Export package to neutralize some impact of strengthening rupee** — The export package is intended to help sustain export growth momentum by neutralizing some impact of the strengthening rupee. Benefits of the package will be available to exporters with effect from 1 April 2007.
- New duty drawback rates** — The increase in duty drawback rates ranges from 1.7% to 2% for cotton fabrics, 3% to 3.4% for readymade garments, and is 2.7% for bed linen.
- Impact** — We believe the increase in DEPB/duty drawback rates is a positive step for textiles exports. Prima facie we believe these measures should benefit Gokaldas Exports (GOKL.BO - Rs240.00; 1M), Alok Industries (ALOK.BO - Rs58.45; 1M) and Welspun India (WLSP.BO - Rs65.00; 2M) given their high exposure to exports.

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Figure 1. Statistical Abstract (FY08E)

Company	Rating	EPS (Rs)	P/E(x)	P/BV(x)
Arvind Mills	2M	4.6	10.6	0.6
Raymond	1L	18.6	16.2	1.3
Gokaldas	1M	23.8	9.7	1.6
Alok	1M	9.5	6.1	1.0
Vardhman	1L	31.0	5.2	0.7
JCT	1H	1.0	8.0	1.0
Welspun	2M	10.6	6.1	0.7
Abhishek	3M	2.9	6.3	0.8
S Kumars	3H	6.1	18.1	3.9

Source: Citigroup Investment Research Estimates

Figure 2. Summary of Export Benefits

Package	Benefit
DEPB Rate	Increased by 3%
Interest rate on pre and post shipment credit	Reduced by 2%
ECGC Premium	Reduced by 10% of existing premium
Terminal excise duty arrears and CST reimbursement	Rs6bn allocated

Source: Citigroup Investment Research

See Appendix A-1 for Analyst Certification and important disclosures.

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¹Citigroup Global Markets India Private Limited

Other company references

Arvind Mills: (ARMI.BO - Rs49.70; 2M); Raymond: (RYMD.BO - Rs305.70; 1L); Vardhman: (VART.BO - Rs161.50; 1L); JCT: (JCTL.BO - Rs8.15; 1H); Abhishek: (ABHP.BO - Rs18.05; 3M); and S Kumars: (SKMK.BO - Rs111.00; 3H).

Appendix A-1

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