

State-owned National Textile Corporation is scripting a major turnaround story, modernising and re-developing some mills. A report by **R. Pai**.

MILLS ON THE MOVE



PUBLIC sector textile major National Textile Corporation (NTC) is scripting a remarkable turnaround story, riding on the crest of the wave of the boom in the value of land in cities.

Incorporated in 1968 as a central public sector enterprise under the Union Textile Ministry, NTC was mandated to manage sick textile mills taken over by the government. By 1995, NTC had 119 mills under its control, 25 of them in Mumbai.

NTC initially faced an uphill task, but in 2002 the public sector company launched a major modernisation and revival programme, which has now started paying dividends.

For the first time, NTC is expected to report marginal profits for fiscal 2009-10, says K. Ramachandran Pillai, chairman and managing director, NTC. And in 2010-11, it expects good profits.

Before the launch of its modernisation and revival scheme, NTC owned 119 textile mills. It has since shut down 67 unviable mills, clearing off liabilities of more than US\$ 550 million. NTC is now

PLOTTING A SUCCESS STORY

THE first textile mill was set up in Mumbai in the middle of the 19th century, after the first railway line was established in the sub-continent. The industry flourished for over a century and by the early 1960s employed over 250,000 people.

However, over a period of time, the textile industry began declining in Mumbai, in line with global trends. As major metros such as New York and London saw industries moving out of the heart of the cities in the 1960s while the financial services sector began blossoming there, Mumbai also witnessed the transformation, starting from the 1980s.

Many of the textile mills owned by the National Textile Corporation (NTC) are located in prime locations in cities such as Mumbai, India's financial capital. The textile district lies in the heart of Mumbai, where property prices have soared in recent years.

NTC raised almost US\$ 480 million by selling off land owned by five mills in Mumbai. It has similarly sold an additional US\$ 420 million worth of land elsewhere in India, and plans to raise another US\$ 500 million by auctioning 90 acres of land in central Mumbai.

Today, the former textile district of Mumbai is a bustling hub, home to towering office blocks, 5-star hotels, glittering shopping malls and high-rise residential buildings. Property prices in and around Worli, Lower Parel and Parel in Mumbai have scaled new highs, as developers promote luxury apartments in multi-storeyed buildings. Apartments in these projects are being sold at rates of more than US\$ 450 a sq ft. Top developers continue scaling up bids at auctions of mill land being sold both by NTC and private textile mills.



The real estate market is reviving in Mumbai and we have taken a decision to auction land. We expect about US\$ 260 per sq foot.

K. Ramachandran Pillai,
cmd, National Textile Corporation

focussing on a US \$1.15 billion modernisation programme relating to 42 mills; 26 of these will be under its own management and the remaining in public-private partnerships (PPPs) with joint venture partners.

The company has been making credible progress in its elaborate programme of upgrading its textile mills located across the country. Pillai points out that the corporation has undertaken an ambitious expansion and modernisation programme, besides initiating steps for new projects, at a time when the global textile trade is facing a lot of problems.

Three mills located in Mumbai's historic mill district were recently re-opened by the corporation. Union Textiles Minister Dayanidhi Maran notes that the upgraded mills and the seven textile parks in the metropolis are showpieces of NTC's ambitious modernisation programme.

The revival of the three defunct mills cost more than US\$ 30 million and included induction of new machinery. The mills employ over 2,500 workers and will produce up to 12 million kg of yarn and 14 million tonnes of cloth annually.

Resources for the re-development of the mills are being generated by sale of surplus assets of the mills.

The PPP route was conceived to speed up the process of rehabilitation of the mills. NTC will have a majority stake



of 51 per cent in the joint venture model. The corporation has signed memoranda of understanding (MoUs) with strategic partners, who will invest funds to revive the mills.

NTC's modernisation effort also involves the setting up of four greenfield ventures. Of these, two – New Minerva Mills at Hassan in Karnataka and Finlay Mills at Achalpur in Maharashtra – are being set up as textile composite mills with spinning, weaving and processing activities.

One mill, Rajnagar Mills at Ahmedabad in Gujarat, will have spinning and weaving activity, while the fourth, Udaipur Cotton Mills at Beawar in Rajasthan, will be set up as a technical textile unit to produce geo-textiles (non-woven and woven). Technopak Advisors Pvt Ltd and Gherzi Eastern Ltd have been appointed as consultants for these projects.

According to Pillai, the modernisation process would infuse fresh lease of life in the country's textile industry, besides generating jobs. He says NTC's vision is to be a world-class, eco-friendly, integrated textile company with spinning, weaving, processing and garment facilities.

"We wish to be the nation's clothier,"

he notes. "We are driven by the objectives to achieve 90 per cent utilisation in 20 of our modernised mills, to reduce cost of production by seven per cent, and to improve machine productivity by 20 per cent."

Sale of excess land of textile mills owned by it in Mumbai and other cities has helped NTC raise huge sums in recent years. The state-owned corporation has sold surplus land of over 70 mills owned by it in different states, fetching it over US\$ 800 million. In Mumbai alone, NTC has sold five plots for about US\$ 480 million.

The company plans to raise a further US\$ 500 million from its proposed auction of nine more mills, with more than 90 acres of surplus land in Mumbai. "The real estate market is reviving in Mumbai and we have taken a decision to auction land," observes Pillai. "We expect about US\$ 260 per sq foot." NTC has a total of almost 1,350 acres of surplus land available for sale.

NTC also proposes to establish 25 new showrooms in addition to the 93 it has nationwide. Clearly, the public sector textiles major is spinning a new story. 🌱

TEXTILE TURNAROUND

THE Indian textile industry is witnessing a turnaround, with orders flowing in from traditional export markets in the US and Europe. Garment units in many exports hubs have also started humming with activity in recent months as their order books are full once again.

Union Minister of Textiles Dayanidhi Maran noted recently that textile exports grew by five per cent in December 2009 and seven per cent in January 2010, as against a negative growth of 15 per cent during the April-November 2009 period.

"Exports are basically dependent on the US and European markets," said Maran. "We are stabilising. I think 2010-11 will be the year of stabilising and 2011 onwards we expect the market to grow." Textile exports amounted to US\$ 21.75 billion in 2008-09 and are expected to grow from the new financial year beginning April 2010. The US and Europe account for 70 per cent of India's textile exports.

The textile industry is one of the largest employers in the secondary sector, with about 35 million employees. International ratings agency Fitch also predicts a recovery in the current year for the Indian textile industry. "The recovery will be supported by a pick-up in export demand, government stimulus, improved liquidity, and a stable-to-growing domestic demand for textile products," notes the Fitch report on the sector.

It also expects greater stability in textile ratings in 2010 since leverage metrics for most Indian textile companies have improved from peak levels in 2009. Fitch also expects liquidity pressures to ease this year.