PERFECT TIME FOR POLICY FIXES

Battling Rising Costs And Uncertainty, Gujarat's Industries Say Removing Long-Pending Policy Bottlenecks And Improving Ease Of Doing Business Can Help Them Navigate Global Disruptions

Niyati Parikh, Parag Dave & Yagnesh Mehta | TNN

Nearly five weeks into the West Asia conflict, Gujarat's industrial ecosystem is beginning to show clear signs of stress as elevated energy prices ripple through factory floors.

With global turmoil expected to last longer even if the war ends, industry leaders say the current crisis underscores the need for the govt to move swiftly on several long-pending sectoral demands that could ease operational pressures. Business bodies and experts say what industries require most at this stage is not necessarily financial support but faster approvals, reduced procedural bottlenecks and a renewed push towards ease of doing business. Addressing these pending issues, they argue, could help industries respond more effectively to prolonged global uncertainty.

For example, a key concern, according to many, is the income tax rule effective April 1, 2024, which mandates payments to micro and small enterprises within 15 days without a written agreement or 45 days with one. Non-compliance results in the purchase amount being added to the buyer's income, attracting tax liability. "Manufacturers could not utilize raw materials and exporters could not ship goods, yet payments must be completed as per the Income Tax Act," said Parth Ganatra, vice-president of the Rajkot Chamber of Commerce and Industry.

TIMES DHANDHO

Sectors heavily dependent on gas and fuel are witnessing margin compression and output adjustments, while others are moving swiftly to reconfigure energy sourcing and optimize operations. The central question for industry is no longer whether costs have risen — but how sustainably businesses can absorb or offset them.

Image: AI

PROCESSING UNITS BEAR THE BRUNT AS FUEL COSTS SURGE

Gujarat's textile sector is witnessing a sharp divergence within the value chain, with spinning and weaving segments holding relatively steady, while processing units face the maximum stress from rising fuel costs and supply constraints. Industry estimates suggest capacity utilization has dropped to around 60-70%, with output down nearly 30% in recent weeks, particularly in energy-intensive activities such as dyeing, printing and finishing.

"Spinners and weavers are still doing reasonably well, but the real impact is on process houses where coal, PNG and LPG are critical inputs," said Rahul Shah, co-chair of the GCCI textile committee.

At the same time, rising prices of dyes, chemicals and yarn, coupled with supply chain disruptions, are likely to make finished fabrics costlier in the coming weeks.

To sustain operations, units are increasingly experimenting with alternate fuels and operational adjustments, including biofuels and dual-fuel machinery. However, large-scale capital investment remains limited, particularly among MSMEs.

CHEMICAL FIRMS RESET PROCUREMENT PLANS AMID CRISIS

Chemical manufacturers in Ahmedabad and surrounding industrial belts are staring at a conservative production loss of nearly Rs 3,000 crore over the past month as the West Asia conflict disrupts energy supplies, raw material flows and export channels.

The region, which houses around 1,000 units spanning dyes, intermediates, pigments, specialty chemicals and pharma inputs, is witnessing stress across the value chain. Crude-linked inputs have seen price spikes of nearly 60%, significantly raising working capital requirements, while constrained gas availability at regular prices has forced several units to operate at sub-optimal capacity levels. "The disruption is cascading across the ecosystem because one company's output is another's raw material," said Manish Kiri, honorary trade commissioner for Asian countries at the India ASEAN Trade Council (part of the Indian Economic Trade Organization).

With traditional Gulf-linked trade routes and demand centres turning volatile, companies are reworking export strategies, increasingly looking towards East Asian markets to diversify risk. Some firms are recalibrating procurement cycles, inventory planning and customer mix to navigate uncertainty.

PRICEY COAL FORCES SHIFT TO OTHER FUELS

The textiles processing sector has faced a major jolt. Rising prices of imported coal have forced the industry to scale back purchases and look for alternatives. Around 425 textile processing units have decided to remain closed for two days a week and switch to locally mined lignite from Gujarat to reduce fuel costs. In March alone, imported coal prices surged nearly 40%, prompting units to reduce procurement.

"The price of imported coal has started reducing but it has not yet returned to earlier levels. We hope prices fall further as we cannot afford to buy coal at such high rates when the textile market is already slow," said Jitendra Vakharia, president of the South Gujarat Textile Processors Association (SGTPA). Weavers have also shifted to diesel in place of commercial gas for yarn steaming. During the initial shortage, weaving units had shared machinery with those lacking gas connections. However, as the disruption continued, several units altered their fuel usage. Commercial gas was used to heat water and generate steam to prepare yarn for weaving. But diesel is being used now.

(With inputs from Nimesh Khakhariya)

INDUSTRY WISH LIST

PROVISION OF INTEREST-FREE LOANS AND HIGHER WORKING CAPITAL LIMITS FOR MSMEs: To help industries manage the cash flow stress caused by supply disruptions and rising costs and enable them to sustain production, protect jobs

TEMPORARILY REMOVE BIS CERTIFICATION REQUIREMENTS FOR SOME IMPORTED PRODUCTS: To allow faster sourcing of critical raw materials and components when global supply chains are disrupted

TEMPORARILY REMOVE ANTI-DUMPING DUTIES ON SELECT PRODUCTS: To reduce input costs for manufacturers and keep prices of finished goods under control

ABOLISH VAT ON INDUSTRIAL PNG FOR A LIMITED PERIOD: To help lower energy costs for industries and improve competitiveness during periods of volatile fuel prices

RELAX EXPORT REALISATION CERTIFICATE (ERC) NORMS: To give exporters flexibility amid shipment delays, payment disruptions and logistical challenges

BRING GST RATES AT PAR IN INPUT PRODUCTS AND FINISHED GOODS: To prevent inverted duty structures that block working capital and strain industrial liquidity

PROVIDE GST RELIEF AS HIGHER RAW MATERIAL PRICES INCREASE TAX OUTFLOW: To reduce funds locked in tax payments and ease financial pressure on MSMEs

EXTEND THE 45-DAY PAYMENT RULE TO MEDIUM AND LARGE INDUSTRIES: To ensure timely payments across supply chains and protect MSMEs from liquidity crunch

EXPEDITING REQUESTS FOR LAND LEASES AND RENEWALS: The industry feels this will ease access to institutional loans

REDUCE INDUSTRIAL WATER RATES AND MAKE THEM COMPETITIVE WITH OTHER STATES: Lower water costs could improve cost competitiveness for Gujarat's industries, especially in water-intensive sectors, and help attract new investments

> The focus right now is on lowering dependence on external energy sources and reducing costs without compromising on quality. Industries are exploring renewable energy, captive consumption and emerging solutions such as battery storage systems (BESS)

Chintan Thaker | CHAIRPERSON, ASSOCHAM GUJARAT STATE COUNCIL

> With critical crude oil centres badly affected and coal supply chains disrupted, renewable energy is the best option. With Gujarat expected to be the powerhouse of RE generation, the govt must expedite approvals and clearances for evacuation of electricity generated to reduce dependency on conventional supplies

Nimish Phadke | CHAIRMAN, FEDERATION OF KUTCH INDUSTRIES ASSOCIATION

> Ahmedabad's chemicals industry has been affected badly due to high raw material costs and low production. Exports have been affected because of supply chain disruption. Recent customs duty cuts will provide some relief to manufacturers. We believe that the market will slowly accept new prices

Vinod Agrawal | FORMER CHAIRMAN, CII GUJARAT

> Overall, the demand for textiles is low. Simultaneously, the production challenge is forcing textile weavers to consider closing their units for a specific period. Even if the war ends, the impact of the current situation will affect the industry for a few weeks

Vijay Mangukiya | PRESIDENT, SURAT WEAVERS ASSOCIATION