SRMC

Sri Ramakrishna Mills (Coimbatore) Ltd.,

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March 17, 2021

M/s.BSE Ltd
25th Floor
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001.

Kind Attn : Mr.Kruti Shah

Dear Sirs,

Sub: Clarification on Price Movement

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We acknowledge receipt of your e-mail dt.17.03.2021.

We write to advise you that no events / information that have a bearing on the operation / performance of the company as per Regulation 30 of the SEBI (LODR) Regulations, 2015, have taken place now and as such we are not able to give any specific clarification on the price movement of the company.

However, we find that the textile companies' shares seem to be rising on account of the fact that textile sector is one of the beneficiaries under the Production Linked Incentive Scheme announced by the Government of India. In this regard, we enclose an extract of the report appeared in the Business Line dt.16.03.2021 which is self-explanatory.

Thanking you,

Yours faithfully,

For Sri Ramakrishna Mills (Coimbatore) Ltd.,

Managing Director.

All you wanted to know about...

BUSINESSLINE DT 16/03/2021

PLIs

PARVATHA VARDHINI C

SLATE

Today, if there's a magic word that can make the stocks belonging to a sector darlings in an instant, it is 'PLI'. The government has been using Production-Linked Incentives or PLIs as the centrepiece to make Bharat Atmanirbhar. The Prime Minister recently expressed the hope that PLIs would unleash over $520 billion of additional output over the next few years.

What is it?

PLIs are provided by the Central government to identified sectors, in order to encourage manufacturing in India. Companies registered in India and having one or more manufacturing locations in the country are eligible for the scheme. These companies receive an incentive in the form of a cash subsidy on the new sales of goods manufactured in India for about five years from the base year. The incentive is tied to incremental investments made during the period. For mobile phone and large-scale electronics for instance, the PLI will be 4-6 per cent of incremental sales and will require a minimum investment of ₹100 crore/₹200 crore/₹1,000 crore by the entities.

Beginning with mobile phones and large-scale electronics, PLI is eventually planned to be extended to 13 sectors including automobiles, pharma, telecom, food products, ACC battery, solar PV modules, textiles, other electronic/technology products, speciality steel and white goods. The total outlay for all the PLI schemes is ₹1.97 lakh crore over a five-year period. Various ministries have been hammering out the contours of the scheme for each sector over the last few months, with telecom being the latest.

Why is it important?

India is aiming at becoming a $5 trillion economy by 2025. To achieve this, robust growth in manufacturing is required. As per the second advance estimates for 2020-21, manufacturing constitutes only 16.75 per cent of the GVA (gross value added at constant prices) in the economy, while services garner a 64.5 per cent share. The recent Covid disruptions to the global supply chain have also shown that for many products, India is heavily dependent on imports, particularly from China, and is unable to make a mark as a global exporter. PLIs are intended to correct this by incentivising manufacturers to try their luck in sectors that enable import substitution or export growth.

PLI is a continuation of other moves by the government to encourage local manufacturing, such as the 15 per cent tax rate for new manufacturing companies announced in 2019 and the increase in import duties on various goods in the last few Budgets. However, the PLI is superior as it links incentive for local manufacturing to output obligations and isn't a free giveaway.

The PLI scheme also provides an opportunity for India to take on China in the global supply chain, showcasing it as a world class manufacturing destination and inviting foreign investments. The Covid pandemic has taught global manufacturers to de-risk from China, and India is looking to benefit from this shift.

Why should I care?

This push for manufacturing will have its trickle-down effects in terms of growth and employment. For instance, the PLI scheme is expected to enhance export prospects for sectors such as textiles, pharma, and steel, in which India already has a toehold in exports. On the other hand, PLI for solar PV panels will reduce the import dependence. A lower import bill is good for the country as well as for you and me, as it reduces the pressure on the value of the rupee against key global currencies such as the dollar and improves its purchasing power.

More importantly, the PLI scheme is expected to generate huge employment opportunities both directly and indirectly. MSMEs will also benefit from the forward linkages with the firms that manufacture under PLI.

The bottomline

The scheme looks good in principle, provided beneficiary companies deliver on their investment and output commitments.

A weekly column that puts the fun into learning.