

2016-12-007



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF CUSTOMS**

06 December 2016

**MEMORANDUM**

TO : ALL DISTRICT AND SUB-PORT COLLECTORS

FROM : OIC-AOCG

SUBJECT : Importations of Yarn, Fabric and Garment (Textile Products)

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Forwarded herewith is the 1<sup>st</sup> Indorsement dated 25 November 2016 from Mark Dennis Y.C. Joves, Department of Finance, together with the letter from Ambassador L.D. Rabte of India concerning a letter sent to the Ambassador by **Indo Phil Textile** regarding an alleged undervaluation of goods coming to the Philippines as compared to the value reported by the exporting countries.

In this connection, you are hereby directed to submit a report for the importations processed in your Port from CY 2010 to CY 2015, if available, using the format hereto attached as "Annex A".

Submission of your reports as an input and your comment and/or recommendation should be on or before **December 20, 2016**, as the basis of our reply to said letter.

For your information and compliance.

  
MELITA O. DEL ROSARIO

OIC-Deputy Commissioner  
Assessment and Operations Coordinating Group

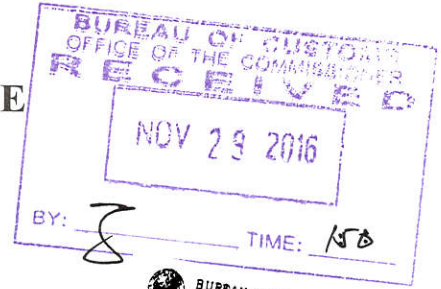
Cc COMMISSIONER OF CUSTOMS

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Republic of the Philippines  
**DEPARTMENT OF FINANCE**

Roxas Boulevard Corner Pablo Ocampo, Sr. Street  
Manila 1004



**1<sup>st</sup> Indorsement**  
25 November 2016



Respectfully referred to **HON. NICANOR E. FAELDON**, Commissioner of the Bureau of Customs (BOC), for comments, inputs and/or recommendations, the attached 18 October 2016 letter from Ambassador L.D. Ralte of India concerning a letter sent to the Ambassador by Indo Phil Textile regarding the undervaluation of goods coming to the Philippines as compared to the value reported by the exporting countries.

Please direct your response to the proponent with the Office copy furnished on the action taken.

Thank you for your attention.

By authority of the Secretary:



**MARK DENNIS Y.C. JOVEN**  
Assistant Secretary  
Revenue Operations Group



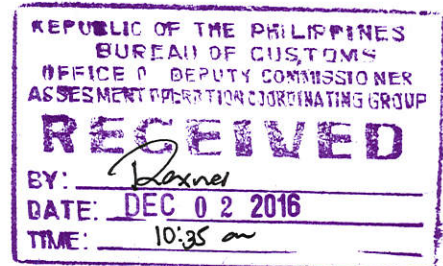
**DEPARTMENT OF FINANCE**  
Republic of the Philippines



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CC: **AMBASSADOR L.D. RALTE**  
Embassy of India  
2190 Paraiso Street, Dasmariñas Village  
Makati, Philippines

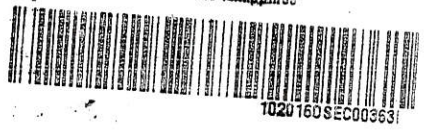
**INDO PHIL TEXTILE MILLS, INC.**  
Barrio Lambakin, Marilao  
Bulacan, Philippines



# 2016-12-2339

2014-12-007

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भारत के राजदूत  
AMBASSADOR OF INDIA  
MANILA

Mani/Comm/ 202/3/2016

18 October 2016

*[Handwritten signature]*

We have received a representation from Indo Phil Textile on some of the challenges which they face operating in the Philippines. You would recall that Indo Phil Textile, a part of world renowned Aditya Birla Group, is the first Indian-Filipino Joint Venture in the Philippines commencing its operations way back in 1975 and is now the largest spinning unit with a capacity of 21,500 MT annum. What is more important here is that they provide livelihood to 1200 Filipinos who have been employed for a long time. Despite the downturn in the textile industry leading to closure of many companies, the company has soldiered on because of its commitment to the textile industry and to its employees.

1. The key challenge which they face here is the non level playing field due to import practices where the value of goods coming to the Philippines is undervalued at the Customs as compared to the value reported by the exporting countries. The representation from Indo Phil clearly brings out the difference in which the reported value is not even 25% of the actual import price. This is based on credible UN data and therefore cannot be contested and you yourself have commented on this. This practice of undervaluation makes Indo Phil non competitive in the local market as compared to cheaper imports.
2. I am enclosing herewith a newspaper article on the subject of undervaluation which had appeared in Business Mirror where Commissioner Faeldon had acknowledged the problem.
3. The other challenge which they face here is the delay in non refund of VAT taxes. I understand from them that there is a pending VAT refund of Peso 320 mn from year 2013-15 due to them. You would agree with me that a delay in timely processing of VAT refund would have a bearing on the cash flow operation of the company. Since the amount involved is large, it has seriously impacted their business.
4. I would be grateful if the representation from Indo Phil is given due consideration for suitably addressing the problem. It is important to remember here that the livelihood of 1200 Filipino employees is at stake and any continued undervaluation of imported goods coupled with delays on VAT refund will render Indo Phil non competitive and add to the risk of winding up its operations.

*With assurance of my highest consideration as before please accept*  
*[Handwritten signature]*  
[L.D. Ralte]

H.E. Mr. Carlos G. Dominguez,  
Secretary  
Department of Finance  
Republic of the Philippines

DEPARTMENT OF FINANCE  
OFFICE OF THE SECRETARY

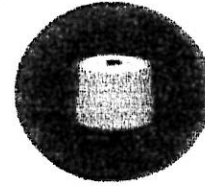
DEPARTMENT OF FINANCE  
OFFICE OF THE SECRETARY

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Copy to:

- i) Mr. Nicanor F. Faeldon, Commissioner of Customs, Bureau of Customs,  
Republic of Philippines
- ii) Mr. Ceaser R. Dulay, Commissioner for Internal Revenue, Bureau of Internal  
Revenue, Republic of Philippines

# INDO PHIL



Aditya Birla Yarn  
Trusted Worldwide

We are attaching the detail of Import from 2010 and 2015 as **Attachment -1.**

It is further interesting to note that even the reported value is significantly lower than the value reported by the exporting countries. For example, in 2015, the average price as per Import statistics of Philippine is \$ 0.74 Kg, whereas the same is \$ 2.59 as per China export data. Thus reported Value is not even 25% of the actual import price. The detail is enclosed as **Attachment-2**

*The domestic industry has been badly impacted due to competition with such non level playing import. Indo Phil request your good office to kindly take up this matter at appropriate level to curb these practices.*

2. **Very High Power rate:** Power rate is significantly higher in Philippine compared to other South East Asian countries as under:

	Vietnam	Indonesia	Thailand	IPT Rate	Philippine-Retail
Us Cent/KWH	7.1	7.2	8.5	10.0	19.0

IPT is using Grid power only during off peak hour and using its own power plant during peak hours resulting into some advantage in power rate. However, even with this advantage, it is not able to compete in the international market due to significant disadvantage in power rate compared to countries like Indonesia and Vietnam. The power cost is high in Philippine mainly due to very high distribution and transmission cost (Please refer **Attachment -3**). These costs are even more higher for Indophil because of Partial usage of power from Grid as these cost are charged based on maximum demand at any point of time, irrespective of period of usage in a day.

Indo Phil has a surplus power capacity of about 5 MW. Indo phil has taken up with Meralco to explore possibility of selling surplus power during peak hour with win- win to both Indo Phil and Meralco . However, the progress is slow and unclear.

*We request your Excellency to kindly take up the matter of higher power rate and possibility of selling surplus power during peak hours with appropriate authorities.*



## Indo Phil Textile Mills, Inc.

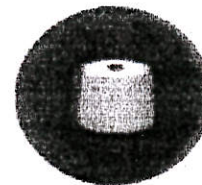
Factory & Admin. Office : Barrio Lambakin, Marilao, Bulacan 3019, Philippines

Tel. Nos.: +63-2-7796970 / +63-44-9198440

Website: [www.adityabirla-yarn.com](http://www.adityabirla-yarn.com) / E-mail: [factory.indophil@adityabirla.com](mailto:factory.indophil@adityabirla.com)

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# INDO PHIL



**Aditya Birla Yarn**  
Trusted Worldwide

21<sup>st</sup> September 2016.

Your Excellency  
The Embassy of India,  
Manila, Philippines

Sub: Indo Phil Group of Companies.  
Re: Key Industry Challenges

Sir,

We Thank you very much for the visit to our plant along with the First Secretary. It is an Honor to Indophil.

As your Excellency is aware, Indo Phil is a part of Aditya Birla Group of India, a US \$ 42 Bln Corporation and is in the league of Fortune 500. Anchored by an extraordinary force of over 120,000 employees, belonging to 42 nationalities, Over 50 per cent of its revenues flow from its overseas operations spanning 36 countries.

Indo Phil Textile, The First Indian-Filipino Joint Venture commenced its operation way back in 1975. Today, it is the largest Spinning Unit in Philippine with a capacity of 21,500 MT annum, employing nearly 1,200 Employees.

While the company has grown phenomenally, till 2000, the Textile Industry is becoming increasingly Non-competitive in Philippine, leading to the closure of many companies. Indo phil, with its strong operation focus and Customer Orientation could survive. However, the company is finding it increasingly difficult to sustain its operation due to non-level playing import practices, High power cost and Blockage of fund due to delay in refund of taxes.

As discussed, the company is facing following challenges:

1. Technical Import: There is Phenomenal increase in the import of Fabric (Grown at a CAGR of 9%) and Garments (Grown at a CAGR of 21%) in last 5 years.

The import volume as reported by the Philippine Authorities is significantly lower than as reported by the Exporting countries, indicating large volume of import escaping the Duties and Taxes (VAT)

Product	UOM	As reported by Philippine	As per Exporting countries	% Reported
Yarn	MT	7,216	44,727	16%
Fabric	MT	73,712	181,058	41%
Garment	USD ('000)	376,362	1,830,293	21%



## Indo Phil Textile Mills, Inc.

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Website: [www.adityabirla-yarn.com](http://www.adityabirla-yarn.com) / E-mail: [factory.indophil@adityabirla.com](mailto:factory.indophil@adityabirla.com)

## Attachment-1

Detail of import of Textile products as reported by Philippine and as reported by exporting countries

	UOM	2010	2011	2012	2013	2014	2015	CAGR
		Phil-Data	Phil-Data	Phil-Data	Phil-Data	Phil-Data	Phil-Data	
Total Yarn	MT	26,062	22,896	24,987	11,519	17,715	7,216	-22.7%
Woven Fabric	MT	37,586	37,334	35,552	42,211	69,718	50,741	6.2%
Knitted Fabric	MT	15,974	15,894	17,434	18,256	18,712	22,971	7.5%
<b>Total Fabric</b>	<b>MT</b>	<b>53,560</b>	<b>53,228</b>	<b>52,986</b>	<b>60,467</b>	<b>88,430</b>	<b>73,712</b>	<b>6.6%</b>
Knit Apparels - USD ('000)	USD ('000)	36,292	56,434	52,779	73,447	117,076	149,785	32.8%
Woven Apparels - USD ('000)	USD ('000)	76,110	127,196	159,193	182,831	192,982	226,577	24.4%
<b>Total Garments</b>	<b>USD ('000)</b>	<b>112,402</b>	<b>183,630</b>	<b>211,972</b>	<b>256,278</b>	<b>310,058</b>	<b>376,362</b>	<b>27.3%</b>

	UOM	2010	2011	2012	2013	2014	2015	CAGR
		Data from Exp	Data from Exp	Data from Exp	Data from Exp	Data from Exp	Data from Exp	
Total Yarn	MT	59,847	44,546	44,252	45,771	53,300	44,727	-5.7%
Woven Fabric	MT	52,677	53,297	71,962	95,492	62,969	103,963	14.6%
Knitted Fabric	MT	65,010	77,185	71,503	76,170	65,465	77,095	3.5%
<b>Total Fabric</b>	<b>MT</b>	<b>117,687</b>	<b>130,482</b>	<b>143,465</b>	<b>171,662</b>	<b>128,434</b>	<b>181,058</b>	<b>9.0%</b>
Knit Apparels - USD ('000)	USD ('000)	549,852	637,809	841,629	915,218	772,474	1,103,789	15.0%
Woven Apparels - USD ('000)	USD ('000)	159,936	213,706	281,164	333,941	478,307	726,504	35.4%
<b>Total Garments</b>	<b>USD ('000)</b>	<b>709,788</b>	<b>851,515</b>	<b>1,122,793</b>	<b>1,249,159</b>	<b>1,250,781</b>	<b>1,830,293</b>	<b>20.9%</b>

- Import has grown significantly.
- Reported Import volume is significantly lower than the Volume reported by exporting countries.

## Attachment-2

Price comparison as per import data of Philippine and as reported by Exporting countries.

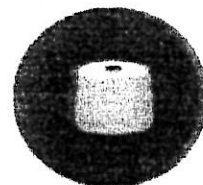
Year	Partner	As per Philippine Data			Exporting country Data		
		Trade Value-\$	Net Weight (kg)	Rate	Trade Value-\$	Net Weight (kg)	Rate
2014	China	353,027	491,355	0.72	15,089,099	5,109,423	2.95
2014	Indonesia	222,064	189,988	1.17	302,894	132,381	2.29
2014	India	195,460	393,135	0.5	2,852,747	917,454	3.11
2014	Viet Nam	1,504,046	743,360	2.02	16,558,219	5,045,684	3.28
2014	Thailand	310,404	328,349	0.95	1,361,943	803,361	1.7
2015	China	303,025	406,888	0.74	12,409,044	4,798,200	2.59
2015	Indonesia	244,700	120,850	2.02	Not Yet Reported		
2015	India	112,138	44,179	2.54	960,014	336,483	2.85
2015	Viet Nam	1,147,942	601,776	1.91	Not Yet Reported		
2015	Thailand	54,870	44,822	1.22	1,548,857	920,152	1.68

Source: <http://comtrade.un.org>

There is wide difference in both Quantity and rate between Philippine import data and corresponding export data by partner countries,

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# INDO PHIL



Aditya Birla Yarn  
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3. **Non Refund of taxes:** Government has stopped the issuance of tax refunds. It has been informed that there is difference of opinion between the various government agencies on the standard rate being applied for Tax refunds. Holding of entire amount of refund, which is largely VAT refund has impacted the cash flow of the Business. Indo Phil has a pending refund of peso 320 Mln, mainly related to 2013 to 2015. Year wise detail is attached as **Attachment-4**

**We request your Excellency to take the issue of non-refund of taxes with the appropriate authorities.**

Your Excellency, the Philippine economy is growing at a rate of 6% and it is a consumption led economy. With a population of almost 100 Mln, the country has high unemployment of about 7%. Under this situation, Industry like Textile has huge potential provided the industry is provided a level playing field.

We request your Excellency to kindly take up these matters suitably with appropriate authorities. Our company is going through a tough time and finding it difficult to survive unless the urgent support on above matter is provided. This is very important for protecting 1200 direct Jobs and many more indirect employments.

Look forward for your urgent support on the above matter,

Kind Regards  
S.L.Sipani

Unit Head.  
Indo Phil Group of Companies

ADITYA BIRLA



## Indo Phil Textile Mills, Inc.

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