



M. P. TEXTILE NEWSLETTER

THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION

Chairman :

Shri Akhilesh Rathi

Vice Chairman :

Shri Shreyaskar Chaudhary

Dy. Chairman :

Shri Suresh Maheshwari

Shri Subhash Jain

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ASSOCIATION NEWS

1. The Association submitted a Representation to the Revenue Secretary, Ministry of Finance, Government of India, New Delhi on 3rd May, 2018 requesting him to consider and allow Input Tax Rebate in respect of Building Materials like, cement, steel, A.C. Sheets, and other items and contractor services, which are purchased and used for additions, alterations/new construction of Industrial Sheds/Warehouses, etc. Presently, the GST in respect of plant and machinery and machinery spares purchased for use in production activities is allowed as input tax credit from the tax payable on sale of finished products, but the GST paid on purchases and services used for creation of immovable property is not allowed for input tax credit. Since the use of building material and services of contractor for construction of additions/alterations to Industrial Sheds and Warehouses is also a part of manufacturing activity, we have requested the Government to consider the GST paid on such activities be allowed as input tax credit under Section 16 of Goods & Services Tax Act.

2. The Ministry of Textiles announced Scheme for Rebate of State Levies on export of garments, which is effective from 28th September, 2016. However, the claims under the Scheme have not been released to our Member Mills since June, 2017. The Custom Authorities have informed that the pending ROSL claims can be released only on receipt of funds from the Ministry of Textiles. We have, therefore, requested the Secretary, Ministry of Textiles on 8th May, 2018 to release the funds to the Customs Authorities, so that the claims of the Member Mills may be settled by them.



RAW MATERIAL

1. As per press release of 1st May, 2018 of International Cotton Advisory Committee, the cotton prices have remained high in 2017-18 at an average of 84.63 cents per pound, the highest during the season. Higher prices are expected to impact cotton planting area to expand during cotton season 2018-19. The planted area in 2018-19 in US is expected to increase by 11% to 5.08 million hectares. Planted area in India is expected to decrease to 11.9 million hectares in 2018-19 due to low yields in major production areas of Maharashtra and Gujarat. Planted area in China is expected to remain stable and in Pakistan, it may increase by 7% to 3.3 million hectares.

World cotton consumption will continue to grow steadily during 2018-19 and is projected at 26.72 million tons as against 25.49 million tons in 2016-17. Cotton imports by Indonesia, Turkey, Vietnam, etc. are expected to grow at steady rates. Imports by China are projected to increase to 1.5 million tons. Bangladesh is increasing its spinning capacity and imports in 2018-19 are likely to increase to 1.7 million tons. The US remains the leading global exporter of cotton followed by Brazil, Australia and India.

The World cotton supply and distribution for 2016-17 to 2018-19 are projected as under :

Quantity in Million Tons

	2016-17	2017-18	2018-19
Production	23.09	25.79	25.68
Consumption	24.52	25.49	26.71
Import/Export	8.19	8.70	9.24
Ending stock	18.83	19.31	18.28
Cotlook-A.Index	83	83	82

2. The Cotton Association of India (CAI) in its 8th May, 2018 release has retained its cotton crop for the season 2017-18 estimated at 360 lakh bales. However, it has made small changes in the State-wise production figures. Production figures of Maharashtra and Karnataka are estimated to be higher by 2 lakh bales and 0.05 lakh bales respectively, while the production figures of Telangana and Andhra Pradesh are now estimated lower by 1.5 lakh and 1.00 lakh



bales respectively. Exports of cotton are likely to be 75.00 lakh bales, which is around 30% higher than the previous season. Pakistan, Bangladesh, China and Vietnam are the main buyers.

3. The Government of India, Ministry of Agriculture has Notified Minimum Support Prices for cotton crops for the cotton year 2018-19, which are Rs. 160 per quintal higher than the prices of last cotton season. The variety wise prices are as under :



Minimum Support Price Rs. / Quintal

	2016-17	2017-18	2018-19
Medium Staple	3860	4020	4180
Long Staple	4160	4320	4480

4. On 8th May, 2018 the Government of Madhya Pradesh and C&A Foundation hosted the event "Cotton Trailblazers" at Bhopal. The event was a celebration of State's global leadership in organic cotton production and the role of Organic Cotton cultivation in improving the livelihood of farmers in India. It was also meant to facilitate a dialogue between stakeholders of Organic Cotton supply chain on working collaboratively to build a robust and resilient organic cotton sector. The Event was addressed by Shri Gouri Shankar Bisen, Minister for Farmers Welfare and Agriculture Development, Dr. Rajesh Rajora , Principal Secretary of the Department, Ms. Anita Chester, Head Sustainable Raw Materials of C&A Foundation, Shri Shreyaskar Chaudhary, Managing Director, Pratibha Syntex and Vice chairman of the Association.

Organic Cotton production needs 93% less water as compared to conventional cotton and the climate change impact is of 338.5 kgs CO2 equivalent as opposed to 680.2 kgs of CO2 by conventional cotton.

5. Cotton constitutes about 59% in the raw material basket of Indian Textile Industry. The global cotton market has been marked by high prices volatility and uncertainty largely on account of factors beyond the control of stake-holders and even the Government. During the year 2017-18, an annualized volatility of about 13% in cotton prices has been observed.

6. After the Chinese Government's move to counter US trade restrictions by putting cotton under proposed tariff list, India has a proposition to export more cotton to China .China is the second biggest market for Indian cotton (208.5 mm variety) after Bangladesh . India has exported 57,549 tons of cotton to China in April- January, 2017-18 and 2,96,805 tons to Bangladesh.

7. The Ministry of Textiles had constituted Cotton Advisory Board for a period of two years i.e. upto 31st December, 2016. It has been decided to extend the tenure of the Board till new Board is reconstituted

8. Due to consistent rise in prices of Crude Oil, the prices of petro-chemical like DMT,ETA, MEG, etc. are rising and as a result the prices of man-made fibre are on constant increase.

POWER

The Madhya Pradesh Electricity Regulatory Commission Notified Retail Electricity Tariff for the year 2018-19 on the 3rd May, 2018 . The highlights of the tariff applicable to Textile Industry (HV-3.1) are as under :



	2017-18		2018-19	
Fixed Charges	Rs. / KVA of Billing Demand / p.m.		Rs. / KVA of Billing Demand / p.m.	
11 KV Supply	330.00		330.00	
33 KV Supply	510.00		510.00	
132 KV Supply	610.00		610.00	
220/400 KV Sup.	620.00		620.00	
Energy Charges (Rs./Unit)	Upto 50% LF	Above 50% LF	Upto 50% LF	Above 50% LF
11 KV Supply	6.60	6.00	6.60	6.00
33 KV Supply	6.50	5.50	6.50	5.50
132 KV Supply	6.05	5.25	6.05	5.25
220/400 KV Sup.	5.65	5.00	5.65	5.00

The other terms and conditions have remained almost the same as per 2017-18. The Commission has allowed the following rebates during the year 2018-19:

- Rebate of 60 paise per unit in Energy Charges is applicable for incremental monthly consumption w.r.t consumption of 2015-16 same month.
- Rebate of Rs.2.00 per unit to Captive Consumers, who have reduced their Captive Consumption and taken power from DISCOMs as per formula given in Tariff Order for 2018-19.
- Rebate of Re.1.00 per unit for those Open Access Consumers, who have reduced their Open Access consumption as per formula given in Tariff Order for 2018-19.
- Rebate of Re. 1 per unit or 20%, which ever would be less for new connections for consumption recorded up to financial year 2021-22.

MAN POWER

1. The Ministry of Labour & Employment has issued a Notification on 21st May, 2018 reducing the Provident Fund Administrative charges to 0.50% of pay payable by the Employer for the purpose of paragraph 30 and sub paragraph (1) of paragraph 38 of Employees Provident Fund Scheme with effect from 1st June, 2018. However, the minimum charges payable remains to be Rs. 75 per month for non-functional establishments and Rs.500 per month for other establishments. Up to 31st May, 2018 the P.F. Administrative Charges have been 0.65% .

2. On 25th May, 2018, the EPFO has declared interest @ 8.55% per annum for the year 2017-18 for credit to the account of each member of the Employees Provident Fund Scheme as per provisions under Para 60 of the Scheme.

3. As per Circular dated 18th May, 2018 from Labour Commissioner, Indore, the Variable Dearness Allowance payable to textile mill employee governed by Sethi Award has increased by Rs.8.82 per month for Indore Centre and by Rs. 177.83 per month for Bhopal Centre for the period April-June, 2018.

4. In the matter of Nathilal Kushwah and others, National Commission for Consumer have stated that the Provident Fund Commissioner have shown lack of concern about protecting the interest of employees. It castigated the P.F Commissioner for failing to proceed with the complaint on merits and instead squandering public money on litigation in trivial matters and wasting precious judicial time. Thus non- payment of P.F is a deficiency in service for which a consumer complaint is maintainable.



5. The Union Ministry of Labour is planning to move a Public Private Partnership mode to run and administer its flagship Provident Fund and ESI Schemes. These Schemes are presently run by the EPFO and ESIC. The idea is to rope in intermediate agencies on the lines of Pension Fund Regulatory and Development Authority (PFRDA), which manages the National Pension Scheme. These agencies will work on fund management, point of presence, service delivery, benefit disbursement, record keeping, etc.



6. Shri Rajesh Bahuguna, IAS has been posted as Labour Commissioner of the State in place of Shri Shobhit Jain.

7. Shri Sanjay Dubey, IAS has been posted as Principal Secretary, Labour Department of the State.

LEGAL & TAXATION

1. The Commercial Tax Department of the State has Notified on 22nd May, 2018 reduction in Registration Fees chargeable on instrument relating to the merger or amalgamation of companies under the order of Tribunal/Court under Section 232 and 234 of the Companies Act, 2013 or under the order of Reserve Bank of India under Section 44A of the Banking Regulation Act, 1949 to 0.8% of the Stamp Duty chargeable on the instrument.

2. As per Order dated 8th May, 2018 the Department of Audhyogik Neeti Avam Nivesh Protsahan Vibhag has amended Sr. No. 18(A) (5) of the Annexure to MP State Industrial Land and Buildings Management Rules, 2015 so as to exempt transfer of land, which is already in use for Industrial purposes from payment of Development Charges under Land Allotment Rules, 2015.



3. On 11th May, 2018 the Secretary General, CITI has made a Representation to Additional Director General, GST, Ministry of Finance regarding unresolved GST issues of the Textile and Clothing Sector (post GST). Some of the issues raised in the Representation are as under:

- Refund of accumulated ITC at fabric stage.
- Reduction of GST on Man-made fibre from 18% to 12%.
- Reduction of GST on MMF raw materials (PTA, MEG and ACN) from 18% to 12%.
- Allow setting off IGST paid on import for utilization of MEIS licenses.
- Reduce GST on recycled polyester staple fibre from 18% to 5% .
- Carry forward of credit of CST, Education Cess and Krishi Kalyan Cess as input tax credit under GST regime.
- Extending period of payment for capital goods from 180 days to 360 days.
- Refund of IGST on export.
- Condition of actual payment of tax by supplier to the Government for availing tax credit should be removed.
- Allow input tax credit of GST paid on construction of Factory Buildings.

4. Dr. Pawan Kumar Sharma, IAS has been posted as Commissioner, Commercial Taxes, Government of Madhya Pradesh, Indore.

EXPORT & IMPORT

1. The Exports of Textiles and Clothing during the financial year 2017-18 have been US\$ 37,736.59 Million (as on 15th May, 2018) as reported on the website of Textile Commissioner. The details of exports in 2017-18 vis-à-vis 2016-17 are as under :

Figures in US\$ Million

Product	Apl-Mar 2016-17	Apl-Mar 2017-18	% Growth
Cotton including waste	1625.77	1880.25	15.65
Man made Fiber	594.33	585.23	(-)1.53
Other Fibres	14.85	16.41	9.10
Cotton Yarn	3339.69	3415.93	2.28
Cotton Fabric Made-ups	5209.75	5460.43	4.81
MM Yarn, Fabric, Made-ups	4554.90	4811.13	5.63
Woolen Yarn, Fabric, Made-ups	174.78	185.28	6.01
Other Textile Yarn, Fabric, Made-ups	419.87	461.04	9.62
Readymade Garment-Cotton	8509.45	8441.30	(-)0.33
Readymade Garment- MMF	5032.64	4730.44	(-)6.00
Readymade Garment- Others	3816.54	3437.66	11.05
Carpets	1489.36	1425.26	(-)4.30
Jute	321.49	347.62	2.65
Other Items	2579.60	2498.21	(-)3.19
TOTAL	37683.03	37736.19	0.14

It will be observed from the above table that maximum drop in exports was in case of Ready made Garments - MMF followed by Man-made Fibre .

In Rupee terms the exports during 2017-18 were reported at Rs. 24,39,644.42 million as against Rs. 25,28,154.23 million in 2016-17 recording in negative growth of 3.5%.



2. The Textile Export Sector, which is third largest foreign exchange earner for the Country after Petroleum products, Gems & Jewellery, clocked only 0.75% growth in 2017-18 after contraction in last two years.

3. According the Reports, the manufacturers of textile and apparel have indicated that after implementation of GST, exports have declined significantly. The export incentive has been reduced to 1.6% in cotton, while the same for polyester is 1.8% . This has made our products more expensive in the International Market and reduced our competitiveness.

However, the Country has managed to remain as the World's second largest textile and clothing exporter accounting for 4.95% global share, while China, the largest exporter accounted for 34.2% share during 2017. Vietnam is fast catching-up and had 18.13% share in the global cotton yarn trade. India's yarn attracts 3.5% duty in China, whereas Vietnam's cotton yarn attracts zero duty.

4. The MEIS rates, which were valid from 1st November, 2017 to 30th June, 2018 have been made applicable for the period 1st November, 2017 onwards by DGFT vide Public Notice dated 11th May, 2018.

5. The Chairman, Confederation of Indian Textile Industry has made a Representation on 18th May, 2018 to the Hon'ble Minister of Textiles with a request for policy support for enhancing the exports competitiveness of the entire textile value chain. The three key areas requiring urgent intervention are as under :

• Reimbursement of Central Taxes-

a) During pre-GST regime exporters of garments and made-ups were getting 11.4% of FOB value through Duty draw back and ROSL. Now post-GST, it is only for Draw back 2%, ROSL 1.7%. GST refund 2.5% totaling to 6.7% of FOB value.

b) Fabric Exporters were getting 6.5% as Duty draw back, which has now been reduced to 2%. Similarly decrease is seen in other segments, like cotton yarn.

• Ministry of Textiles should ask Drawback Committee to re-examine ROSL figures for 2018 and extend it to fabrics and yarn sectors as well. The net blocked ROSL for cotton garments is 2.69% and for MMF garments 3.53%.

• Extension of MEIS Scheme – 2% MEIS rates for crucial segment like Fabric and Technical Textiles should be increased to 4%, and cotton yarn should also be included under MEIS.

STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) for the period April-March, 2017-18 for the Textile Sector stood at 116.8, which is 0.5% lower than the cumulative index for the year 2016-17. The IIP for Wearing Apparel was 135.0 for the financial year 2017-18, as against 151.7 for the year 2016-17, recording a decrease of 11.0%.

2. As per information available from the Office of Textile Commissioner, the production of Man-made fibre, Filament yarn, Spun yarn and Cloth during the year 2017-18 as compared to the previous year has been as under :

Figures in Million

	Unit	April March 2016-17	April March 2017-18	% Variation
MM Fibre	Kgs.	1364	1319	(-)3.3
MM Fil.Yarn	Kgs.	1159	1187	2.4
Yarn :				
Cotton	Kgs.	4055	4060	0.1
Blended/N.C.	Kgs.	1604	1616	0.7
Total	Kgs.	5659	5676	0.3
Cloth :				
Mill Sector	Mtrs.	2264	2148	(-)5.1
Decentralized	Mtrs.	61216	64366	5.1
Total	Mtrs.	63480	66514	4.8

It will be observed from the above information that production of Man-made fibre has decreased by 3.3%, whereas the Man-made filament yarn production increased by 2.4% during the financial year 2017-18. The production of Cotton yarn remained almost constant. Cloth production in the Mill Sector decreased by 5.1%, whereas, the production of cloth in the Decentralized Sector

increased by 5.1%.

3. The Textile Commissioner had issued a Circular on 3rd May, 2018 stating that one time window will be open only for one month from the date of dispatch of letter to the units, who were issued UID under RRTUFS and have submitted their application to the Textile Commissioner upto 12th January, 2016 midnight on FIFO basis.

4. According to Shri P. Natraj, Chairman, Southern India Mills Association (SIMA), the yarn market has gained momentum in recent times and unsold yarn stock level is one of the lowest in recent year. The demand for coarse and medium counts, especially open-end yarn, both in domestic market and export market has increased considerably and several mills have got advance booking for few months. The yarn prices have increased during the middle of May, 2018, when compared to previous month. Cotton prices are ruling lower than the international market, giving mills the much needed momentum, particularly in the export market.

5. Speaking at the TECHNOTEX-2018-a Curtain Raiser Program organized by FICCI, Shri Anant Kumar Singh, Secretary, Ministry of Textiles said the current Indian Technical Textile Sector has to develop a lot and this can be done only by Indian and Foreign Companies investing in this sector. Globally, the demand for man-made fibre is on the rise and industries should focus more on man-made goods to reap the benefits.

6. Shri Shailesh Patwari, President, Gujarat Chambers of Commerce and Industry, has urged the Central Government to consider implementing a uniform Textile Policy across the Country, in line with GST, otherwise the textile units will shut down here and shift to other places. There should be One-Nation One -Policy for all the sectors.

7. In a recent Report on Emerging Trends in Manufacturing, the World Bank has mentioned textiles, garments and leather based industry will continue to be biggest job creators in the low and medium industrialized countries like India. The Report states, this is a great concern for countries like India, where the large mass of low and zero skilled youth joining the job market can only be absorbed in the manufacturing in low technology sectors.

8. Union Minister of State for Commerce, Shri Dinesh Singh announced in Rajya Sabha on 1st May, 2018, a comprehensive short term policy, which includes adjustments of pattern of production, marketing and duty on cotton textiles to relieve the present difficulty faced by textile industry. The controlled cloth varieties will now consist of Dhoties, Sarees, Long Cloth, Shirting and Drill made in coarse and medium category. Two percent increase has been allowed in ex-mill price of controlled varieties, but this will not affect the consumer price.

9. As per reports, Oswal Woollen Mills (Nahar Group) is to setup a textile mills at Jetpura Palasia near Dhamnod for manufacture of cotton yarn on an areas spread over 200 acres. The plant is likely to provide employment to 5000 persons.