



M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION





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Independence Day Greetings

ASSOCIATION NEWS



1. On 5th April, 2018, the Association submitted a proposal to the Principal Secretary, Farmers Welfare & Agriculture Department of the State for taking up Cotton Collaborative Project in Ratlam, Jhabua and Dhar Districts of the State. Our request has been accepted and on 26th June, 2018, CITI

- CDRA Cotton Collaborative Project was inaugurated at Ratlam followed by another inaugural event held on 5th July, 2018 at Jhabua for training farmers on package of practices, while cultivating Extra Long Staple Cotton. The event was attended by State Government Officials from Agriculture Department of Districts of Ratlam, Jhabua and Dhar besides Senior Scientist from Krishi Vigyan Kendras of these Districts and representatives of cotton traders, ginning and pressing factories. The farmers were given information regarding the mission and objectives of the initiatives. success stories of initiatives under taken by CITI - CDRA under taken in Rajasthan and Maharashtra were shared with the farmers. Farmers were also informed about pest and diseases of cotton, their management and were encouraged to grow ELS varieties of cotton and BT Hybrids of cotton.

RAW MATERIAL

1. As per 3rd July, 2018 release of International Cotton Advisory Committee, a combination of factors has muddled the waters of global cotton market, at least in the short term. Cotton demand, especially in Asia is rising, but drought condition in West Texas region in the United States and the potential of new tariff on cotton are serious concerns. Because of this prices have dropped from high of 102 cents per pound. Cotton demand is projected to increase by 5% in 2018-19 to 27.42 million tons. The production

of cotton is likely to decrease in USA and India, but is expected to increase in West Africa and Brazil and is projected at 25.94 million tons. The relation between World's largest exporters, the United States and the World's largest consumer, China have been tense. The China has announced 25% tariffs on uncombed cotton from US with effect from 6th July, 2018. The world cotton supply and distribution is projected as under :

Quantity in Million Tons

	2016-17	2017-18	2018-19
Production	23.08	26.63	25.94
Consumption	24.52	26.15	27.42
Import/Export	8.19	8.99	9.32
Ending Stock	18.80	19.28	17.80
Cotlook-A.Index	83	86	83

2. The 2nd meeting of Consultative Committee of Cotton Advisory Board for the cotton season 2017-18 was held under the Chairman ship of Textile Commissioner Dr. Kavita Gupta on 16th June, 2018. After detailed deliberations the Cotton Balance Sheets for the year 2016-17 and 2017-18 were finalized as under:

	2016-17		2017-18	
Supply	Lakh Bales	'000 Tons	Lakh Bales	'000 Tons
Opening Stock	36.44	619.48	43.76	743.92
Crop	345.00	5865.00	370.00	6290.00
Import	30.94	525.98	15.00	255.00
Total Supply	412.38	7010.46	428.76	7288.92
Demand:				
SSI Consumption	262.70	4465.90	268.00	4556.00
Mill Consumption	26.21	445.57	27.00	459.00
Non Textile Consumption	21.50	365.50	20.50	348.50
Export	58.21	989.57	70.00	1190.00
Total Demand	368.62	6266.54	385.50	6553.50
Closing Stock	43.76	743.92	43.26	735.42



for hearing on 10th July, 2018 in the Hon'ble Supreme Court, but did not reach argument. The appeal pertains to mulcting Provident Fund Contribution on all allowances except house rent allowance. Despite pending appeals, the PF Authorities have been levying and recovering contributions on various allowances. In another case decided on 4th July, 2018, the Hon'ble Court of Madras barred the Regional Provident Fund Commissioners from demanding contribution on disputed allowances till the final disposal of SLP pending before Hon'ble Supreme Court.

LEGAL & TAXATION

1. The Government has imposed Anti-dumping duty of up to US\$ 528 per tons for a period of five years on Chinese Polyester Yarn. This will provide a level playing field to the domestic players and guard them against low cost imports.

2. The Government has doubled import duty on over 50 textile products, a move that is aimed at promoting domestic manufacturing. The Notification to this effect was issued on 16th July, 2018. Ad-valorem rate of duty has also been raised, which has made woven fabrics, dresses, etc. expensive.

3. The GST Council at its Meeting held on 21st July, 2018 decided to allow refund of accumulated Input Tax Credit (ITC) at fabric stage, which could reduce fabric prices by 3-4 percent and help consumers, apart from improving competitiveness in the export market. However, as per Notification dated 27th July, 2018, the unutilized input tax credit as on 31st July, 2018 will lapse. Shri Sanjay Jain, Chairman, CITI said "it was the need of the hour, as fabric sector is already facing a lot of difficulties, while competing with its counter-parts in the international market".

4. Reserve Bank of India has recently issued on 11th June, 2018 Draft Guidelines proposing changes in disbursement norms for working capital. For borrowers having aggregate fund based working capital limits of Rs. 150 crore and above from the banking system, a minimum level of loan component of 40% should be made effective from 1st October, 2018, which will increase to 60% with effect from 1st April, 2019. This means that a borrower, who is presently able to fully utilize the sanctioned revolving bank facilities, such as cash credit and over draft, without having to bear the burden of principal repayment -- given the absence of predefined repayment schedule, for such facilities would now have to adjust the new paradigms, whereby at least 40% / 60% of working capital would have a defined repayment schedule.



EXPORT & IMPORT

1. As per information available from the Office of Textile Commissioner, the exports from the Country of major textile items during the period April-May, 2017-18 vis-à-vis April-May, 2018-19 are as under:-

Figures in Rs. Million

Product	April-May 2017-18	April-May 2018-19	% Growth
Cotton including Waste	19245.75	29996.74	55.86
Man-Made Staple Fiber	6527.88	6307.41	(-) 3.38
Other Fibers	118.60	243.55	105.35
Cotton Yarn	28114.89	45639.34	62.33
Cotton Fabric Made-ups	56092.81	61800.19	10.17

MM Yarn, Fabric, Made-ups	50349.73	55745.45	10.72
Woolen Yarn, Fabric, Made-ups	2009.04	2318.22	15.39
Other Textile Yarn, Fabric, Made-ups	4695.11	5475.00	16.61
Readymade Garment-Cotton	95296.20	94315.39	(-)1.03
Readymade Garment- MMF	74657.00	46715.37	(-)37.43
Readymade Garment- Others	46218.28	37948.18	(-)17.90
Carpets	15559.64	15554.48	(-)0.03
Jute	3439.45	3345.02	(-)2.75
Other Items	26472.51	26525.38	0.20
TOTAL	428796.88	431929.72	0.73

From the above table, it will be observed that there has been a drop in the export of Manmade Staple Fibre, Readymade Garments from MMF, which is probably due to high incidence of taxes.

In US\$ terms exports of major textile items during April-May, 2018-19 were 6254.50 million as against 6390.70 million, recording a decrease of 2.13%.



2. According to Shri Narayan Agrawal, Chairman, SRTEPC, the MMF textile segment is highly fragmented and decentralized with individual unit specialized in particular field of weaving or processing or value addition and instead of carrying out the entire textile value chain, they are doing part of job only. These units have been bearing with accumulated Input Tax Credit, which remained unreputed increasing financial burden and liquidity crunch on the exporters.

3. New norms for incentives to exporters, that are compliant with the World Trade Organisation are expected to be in place within a years time, according to Union Commerce Secretary, Ms. Rita Teatolia. The decision to revise the guideline comes amid the US raising objections in the WTO on the incentives offered by India to its exporters as its per capita Gross Domestic Product has crossed the threshold of US\$ 1000.

4. India's yarn exports declined by 8.8% year-on-year to 1097.40 million kgs in 2017-18. However, in value terms there was a increase of 2.2% year-on-year to US\$ 3.42 billion . Yarn Exports to China fell by 30.70% year-on-year to 315.36 million kgs 2017-18. China is the largest importer of cotton yarn with a share of 46.70% in the global imports.

Although India still remains the largest exporter of cotton yarn in the World, its share has dropped from 30% in 2015 to 26% in 2017.

5. According to Shri Ujjwal Lahoti, Chairman, TEXPROCIL, we are losing market share in China because increase in supplies from Vietnam.. Indian cotton yarn attracts 3.5-5% import duty in China, whereas the supplies from Vietnam do not attract any such duty. Vietnam's yarn exports to China, which stood at 287 million kgs in 2013-14, has surged to 718 million kgs in 2017-18. China is currently importing from India only to bridge the gap in demand that cannot be fulfilled by supply from Chinese domestic spinners and import from Vietnam.



AS per the Committee, the cotton was grown in an area of 108.26 lakh hectares in 2016-17 (Madhya Pradesh 5.99 lakh hectares) and in 124.44 lakh hectares in 2017-18 (Madhya Pradesh 6.03 lakh

hectares). The average yield of cotton in the Country was 541.75 kgs per hectare in 2016-17 and is expected to be 505.46 kgs per hectare in 2017-18. In Madhya Pradesh the average yield which was 581.80 kgs per hectare in 2016-17 is likely go down to 577.94 per kg in 2017-18.

3. The Cotton Association of India has maintained cotton crop estimates for 2017-18 crop year at 365 lakh bales as against production of 337.25 lakh bales during last cotton crop year. The production estimates for Madhya Pradesh have been 20.50 lakh bales in 2016-17 and 21.21 lakh bales in 2017-18.

Cotton acreage in the cotton season 2018-19 is likely to decline by 10% as the farmers may shift from cotton to Groundnut in Gujarat, Paddy in Haryana and Soybean in Maharashtra due to water shortage, unfavorable weather and persistent menace of pink boll worm.

4. On 4th July, 2018, the Government of India raised the Minimum Support Price of medium staple cotton to Rs.5,150 per quintal from Rs.4,020 per quintal and that of long staple cotton to Rs.5,450 per quintal from Rs.4,320 per quintal. The rise in the cotton MSP may be good news for the farmers, but raises concerns for the consuming industry, considering that the base price of white fibre will go up in the next cotton year.

Shri J.Thulasidharan, President, Indian Cotton Federation, said prices of Kapas today was equal or more than the estimated revised MSP. During the coming season the impact is expected to be marginal. However, the Chairman, Confederation of Indian Textile Industry said Textile and clothing exports are still reeling under pressure to perform, absorbing a hike of 28% would be difficult for the entire textile industry. There was a need to examine the event from different perspective and understand that the farmers gain should not impact the US\$ 120 billion textile industry, which employs over ten crore people and hoped the Government would devise a direct subsidy route, so that interests of both farmers and industry are protected.

5. Shri P. Nataraj, Chairman, South India Mills Association has emphasised the need for Price Stabilisation Fund Scheme and Technology Mission on Cotton in a revised format to double the income of cotton farmers and to grow the business of the Industry as well.

6. Shri I.J. Dhuria Director, (Raw Materials) at Vardhman Textiles is of the view that raising cotton MSP will benefit the farmer and may not hit cotton exports too much immediately, since China has slapped an additional 25% import duty on American cotton and Rupee has also depreciated against dollar. If the import duty is reduced and/or the Rupee corrects, India's cotton exports will be hit.

7. The Annual Report of Better Cotton Initiative (BCI) for the year 2017 has been released. According to this report, around 5% of World Better Cotton is produced in India. In 2016-17, there were 3,03,886 BCI farmers producing 3,25,000 tons of Better Cotton Lint on 5,01,000 hectares of land in ten States in Country. In the World 12,99,243 farmers produced 32,62,000

tons of Better Cotton on 33,09,000 hectares of land in fourteen countries.

8. In 2005 the World Fibre market was around 72 million tons, of which synthetic fibers represented 51%, natural fibers 44% and cellulosic fibers 5%. In the year 2017, the size of this market has increased by 43% to around 102 million tons, which is represented by synthetic fibers-63%, natural fibers-31% and the cellulosic fibers-6%. Thus the share of synthetic fiber is fast growing.

9. China, has made Vietnam the World fastest growing market for cotton. This has spurred opportunities for better cotton export from the US to this South East Asian Nation, according to Foreign Agricultural Service of the US Department of Agriculture (USDA). Vietnam was the leading destination for US cotton exports in 2016-17.

10. Dr. K.R Kranthi, Head of Technical Services ICAC, said Irrigation is not so important a factor for production and yield of cotton but the following factors :

* Canopy Management;* Compact Architecture;

* High ginning %;*High Harvest Index;

* Precision Farming;*Short Critical Window

With these factors, it will be possible to increase our yield in cotton production. He said Australia has five times the yield compared to India, while Turkey and China have 3.5 and three times higher yield than ours.

POWER

1. The Annual Ratings were conducted by the Union Ministry of Power for various Discoms in the Country. In the sixth such rating Madhya Pradesh Purva Keshtra Vidhut Vitran Company and Madhya Pradesh Madhya Keshtra Vidhut Vitran Company have emerged as the worst performing amongst a list of 41 Discoms across 22 States. Both the Discoms received C ++Grade for low operational and financial performance capability. Their performance was worse than 31 Discoms in the Country.



MAN POWER

1. The Employees State Insurance Corporation has clarified on 29th May, 2018 that in cases of Maternity Benefit, if the contribution has been paid for minimum 70 days in two contribution periods immediately prior to expected/exact date of delivery, the maternity benefit will be available. Even if, this condition has been fulfilled in one or another contribution period, the benefit will be available.

2. The Union Ministry of Labour and Employment has proposed changes in Trade Unions Act, 1926 with an aim to give them wider recognition at Central and State level. It has been alleged that the Central and State Governments do not give due weightage to Trade Unions or their Federations in the absence of any statutory backing, other than the Ministry of Labour.

3. Special Leave Petition filed by Surya Roshni Limited through its Vice President (Legal & Commercial) V/s State of MP through RPFC came



6. The import of major textile items by the Country has increased by 9.40% from US\$ 1141.99 million in April-May, 2017-18 to US\$ 1249.35 million in April-May, 2018-19. In Rupee terms, the imports increased by 13.13% during the same period. The import of some important textile items have been as under :

Figures in US\$ Million

Product	April-May 2017-18	April-May 2018-19	% Growth
Cotton including Waste	175.07	153.16	(-) 12.51
Manmade Staple Fibre	61.98	69.63	12.35
Manmade Yarn, Fabrics, Made-ups	291.08	397.41	36.53
RMG - Cotton	44.68	62.63	40.16
RMG - MMF	23.78	31.76	33.52

STATE OF THE INDUSTRY

1. The Ministry of Statistics & Program Implementation has released on 12th July, 2018, the Index of Industrial Production (IIP) for the month of May, 2018. The IIP for the Textile Sector decreased by 0.5% as compared to May, 2017, there has been a cumulative decline of 0.7% during the period April-May, 2018 over the corresponding period of 2017. The IIP for the Wearing Apparel dropped by 12.8% during the month as compared to the same month of the previous year. The cumulative drop during the period April-May, 2018 is 13.1% as compared to same period of previous year.
2. The Office of Textile Commissioner has released information in respect of production of Man-made Fiber, Filament Yarn, Spun Yarn and Cloth for the Country during the period April-May, 2018-19 vis-à-vis April-May, 2017-18, which, are as under:

Figures in Million

	Unit	April May 2018-19	April May 2017-18	% Variation
MM Fibre	Kgs.	212	224	(-)5.3
MM Fil. Yarn	Kgs.	190	198	(-)4.0
Yarn :				
Cotton	Kgs.	677	684	(-)1.0
Blended/N.C.	Kgs.	259	265	(-)2.1
Total	Kgs.	936	949	(-)1.3
Cloth :				
Mill Sector	Mtrs.	358	378	(-)5.3
Decentralized	Mtrs.	10950	10819	1.2
Total	Mtrs.	11308	11197	1.0



From the above data it will be observed that there has been a reduction in production in all the

segments, except Decentralized sector cloth production

3. The objective of the Pradhan Mantri Paridhan Protasahan Yojna launched in October, 2016 was to achieve a cumulative increase of US\$ 30 billion in exports of textiles and garments and investment of Rs.74,000 crore in over three years. However, the Scheme has a limited success, so far 6,588 establishments availed the benefit and over three lac workers had enrolled under the Scheme till 31th July, 2017.
4. Shri Shishir Jaipuria, Chairman, FICCI Textile Committee has said “It is heartening to see the multi faceted steps taken by the Government in last few days for addressing the problems of various segments of textile and handicrafts industry”. He further stated that imports from Bangladesh is an area of concern for the industry. Due to full exemption of basic Custom Duty from Bangladesh and also due to lack of regional cumulation clause under the treaty, third countries raw material and fabrics are getting benefitted indirectly. Imports from Bangladesh have increased by 44% in 2017-18 over the previous year. He suggested imposition of regional cumulation clause in Rules of Origin on the countries that have FTAs with India.
5. The Department of Industrial Policy & Investment Promotion of the State intends to replace “Madhya Pradesh Nivesh Samvardhan (Sanyukt Aavedan Patra tatha Aavedano Ki Prakriya ke liye Samaya Seema) Niyam, 2010, and as such has notified Draft of new rules, which will be made applicable from the date of their publication in the Official Gazettee.
6. Grasim Industries Limited has partnered with Manufacturing Today, to present 'Reinventing the Future-Great Teams at Work' Summit and competition at Indore, whereat the main focus was on “Women in Manufacturing”, under which various organizations shared their initiatives towards gender inclusivity at the shop floor level. This was the 5th Annual Event, which has become an exciting, knowledge-sharing platform for manufacturing professionals in Plant Operations, Production Management, Quality Control, Technical and Engineering and Human Resource Management.
7. As per reports, one NGO headed by Ms. Medha Patkar, has become a major sore point for Textile Industry in Madhya Pradesh. Two of the textile units have already been closed and one apparel manufacturing unit is attracting flak from her.