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## ASSOCIATION NEWS



1. The Office of Commissioner (Audit), CGST, Customs & Central Excise, Bhopal, issued show cause notices to some of our Member Mills demanding Service Tax @ 18% on the amount of Interest Subsidy received under TUFS, VAT/ CST refund received under MP Industrial Investment Promotion Assistance Scheme and refund of

interest by the State Government on term loans taken by the Mills from banks/financial institutions. This is an unjust demand by the Department, as the Mills have not provided any service to the Central/State Government. As per Rule 6 (2)(vii) of the Service Tax (Determination of value) Rules, 2006, subsidies and grants disbursed by the Government, not directly affecting the value of service would not be included in the value of service. Carrying out of expansion and installation of capital goods and machineries for own business cannot be treated as service. Further, by virtue of Sub Rule, subsidy and grant not directly affecting the value, are not to be included in the value. In the present cases, subsidy/grant/assistance provided by the State/Central Government to the industry does not directly affect the value of service because amount of such subsidies/grants has not been excluded from the taxable value of goods and services provided by the industry. Even under the new regime of Goods & Services Tax, similar intent has been provided to say that GST is not applicable on grants and subsidies provided by the Central Government or the State Government. Section 15(2)(e) of the CGST Act provides that value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and the State Government.

We have, therefore, made a representation to the Chairman, Central Board of Indirect Taxes & Customs, Hon'ble Textile Minister, Industries Minister to issue clarifications, so that the demand is withdrawn. On 22nd August, 2018, we have also requested the Hon'ble Chief Minister, Finance Minister and the Industries Minister of the State to intervene in the matter and

request the Central Government to issue a clarification that Service Tax is not leviable on such subsidy/grant/incentive provided by the Government for industrial development of the State.

2. The National Skill Development Corporation organized a Job Mela at Brilliant Convention Centre, Indore, on 24th-26th September, 2018, which is also supported by Textile Sector Skill Council, New Delhi. Four textile mills namely Candor Textiles, Texpert International, Trident Limited and Shri Rajasthan Syntex participated in the event.

3. Vardhman Group and Pratibha Syntex Limited have contributed cash and goods worth Rs.40 lakh and Rs.19 lakh respectively for rehabilitation of Kerala Flood Victims under corporate social responsibility initiatives.

4. Shri D.K. Mittal, President, Maral Overseas Limited, was unanimously co-opted as Dy. Chairman of our Association in the post vacated by Shri Suresh Maheshwari. Shri Mittal will hold office till the next Annual General Meeting.

5. (i) On 17th September, 2018 at Dr. Ambedkar International Centre, New Delhi, Maral Overseas Limited were awarded by Hon'ble Minister of Labour & Employment, First Prize under National Security Awards for Zero Accident Year 2016 and Minimum Frequency Rate of Accidents in Three Years.

(ii) On 27th September, 2018, the Company was awarded "Sustainability in Textile Industry for the Year 2017-18" by CITI Birla Economic Foundation at Mumbai. Our Congratulations.

## RAW MATERIAL

1. The International Cotton Advisory Committee in its release of 4th September, 2018, has projected 2018-19 season World cotton production to decrease by 3% and the consumption to increase by same 3% with 10% drop in global ending stocks. The global stock to use ratio is expected to drop to about seven months of mill use (0.61). The major decrease in global cotton stocks will come





from China. From March, 2018 to August, 2018, China State Reserve have sold more than 2.0 million tons of cotton reducing the stocks to 8.6 million tons. If the production and consumption in China remain at the current projected levels, its stocks at the end of 2018-19 season are expected to further reduce to 6.6 million tons, reflecting a decline of 23%.

Global average yield in 2018-19 is expected to remain stable at 769 kgs./hectare with total planted area decreasing by 2% from the previous season to 33.80 million hectares. Global production decrease will be 3% in India, 5% in USA, 2% in China and 30% in Australia. However, India is expected to remain World's largest producer in 2018-19 also.

The position of the World cotton supply and distribution is been projected as under :

Quantity in Million Tons

	2016-17	2017-18	2018-19
Production	23.08	26.87	25.98
Consumption	24.52	26.93	27.80
Import/Export	8.19	9.00	9.65
Ending Stock	18.80	18.74	16.91
Cotlook-A.Index	83	95	88

2. The Cotton Association of India in its release of 12th September, 2018, has retained cotton crop estimate for cotton season 2017-18 at 365 lakh bales. It has projected total cotton supply upto 31st August, 2018, at 358 lakh bales. Imports are estimated at 13.50 lakh bales, whereas the shipments of cotton till 31st August, 2018, have been estimated at 69.00 lakh bales.

The projected balance sheet for cotton season 2017-18 drawn by the Cotton Association of India (CAI) vis-à-vis that drawn by Cotton Advisory Board(CAB)is as under :

Quantity in Lakh bales

	2016-17		2017-18	
	CAI	CAB	CAI	CAB
<b>Supply:</b>				
Opening stock	36.50	36.44	36.00	43.76
Crop	337.25	345.00	365.00	370.00
Import	30.94	30.94	15.00	15.00
<b>Total supply</b>	<b>404.69</b>	<b>412.38</b>	<b>416.00</b>	<b>428.76</b>
<b>Demand:</b>				
Mill consumption	262.70	262.70	280.00	268.00
SSI consumption	26.21	26.21	29.00	27.00
Non Textile Consumption	21.50	21.50	15.00	20.50
Export	58.21	58.21	70.00	70.00
<b>Total demand</b>	<b>368.62</b>	<b>368.62</b>	<b>394.00</b>	<b>385.50</b>
<b>Closing Stock</b>	<b>36.07</b>	<b>43.76</b>	<b>22.00</b>	<b>43.26</b>

From the above comparative statement, it will be observed that CAI has estimated cotton production during 2017-18 lower by 5.00 lakh bales, whereas the consumption has been estimated to increase by around 9.00 lakh bales. However, the final figures will be available only at the end of the season.

3. According to Shri I. J. Dhuria, Director, Vardhman Textiles, the global cotton production has boomed, while the reverse is true for the extra-long staple cotton, the production of which has declined to less than 4.50 lakh tons and the current share of extra-long staple in global cotton production is a mere 1.6%, which can be perused from the following table :

	Global Production (Mn. Tons)	Global ELS Production ('000 Tons)	% Share of ELS
1981-82	14.99	961	6.4
1991-92	20.68	893	4.3
2001-02	21.67	769	3.5
2017-18	25.97	422	1.6
% Change in 2017-18 from 1981-82	73	(-)56	

4. India's exports of cotton to China may see a five-fold jump to 40 lakh bales in the cotton year 2018-19, after it has slapped a 25% additional duty on cotton imports from US. As per reports, Indian traders have entered into forward contracts with Chinese buyers to deliver 12 lakh bales between November, 2018 and January, 2019. Some quantity has also been contracted for exports to Bangladesh and Cambodia. The cotton production in China is 350 lakh bales against consumption of 500 lakh bales. Exports of cotton from India during April-July 2018 were around US\$ 119 Million.

5. Speaking at the Annual General Meeting of Indian Cotton Federation, its President, Shri J. Thulasidharan, said that the grading of cotton needs a closure look. Only when quality is assured, we can move to next stage of branding. Contamination needs to be controlled at every stage, packing needs to be standardized and the Government should look at the possibility of barcoding of cotton bales.

6. A new cotton variety "Subiksha" or "CCH-4474" has been developed by Scientists at the Central Cotton Research Institute, Nagpur. It is a high strength good quality cotton with upper half mean fibre length of 32.7 mm. With close spacing, it gives an yield as high as 3325 kgs./hectare in Coimbatore and 4201 kgs./hectare in Guntur. It has been recommended for high density planting system in Tamil Nadu, Karnataka, Telangana and Andhra Pradesh.

## POWER

1. The Madhya Pradesh Electricity Regulatory Commissioner has approved levy of Fuel Cost Adjustment Charges @ nineteen paise per unit for the quarter October December, 2018.

## MAN POWER

1. On 28th September, 2018, the Labour Commissioner, Indore, has notified minimum wages payable to various categories of workmen for the period October, 2018 to March, 2019, which are as under :



Category	Basic p.m.	V.D.A. p.m.	Total p.m.	Daily Wages
Unskilled	Rs.6500	Rs. 875	Rs.7375	Rs.284
Semi Skilled	7057	1175	8232	317
Skilled	8435	1175	9610	370
Highly Skilled	9735	1175	10910	420





2. Employees' State Insurance Corporation during its 175th Meeting held on 19th September, 2018, under the Chairmanship of Shri Santosh Kumar Gangwar, Union Minister of State for Labour & Employment took the following decisions:

\* Approved a Scheme named "Atal Bimit Vyakti Kalyan Yojana" for insured persons covered under ESI Scheme. Under the Scheme, relief will be payable in cash directly in the bank account in case of unemployment and while they search for new employment. Detailed instructions will be issued separately.

\* Reimbursement of Rs.10 per person to the employers to encourage seeding of Aadhar (UID) in ESIC database of the workers and their family members.

\* Approved the proposal for relaxing eligibility conditions for availing super speciality treatment from earlier insurable employment of two years to six months with contribution requirement of only 78 days. For the dependents of insured, employment of one year with 156 days contribution will be required.

\* Funeral expenses have been increased from the existing Rs. 10,000 to Rs. 15,000 on the death of insured person.

3. The Supreme Court has ruled that an employer cannot automatically hold back gratuity of a dismissed employee and it should follow the rules set in Section 4 of the Payment of Gratuity Act. Moreover, gratuity can be forfeited only to the extent of financial loss to the employer caused by the employee. This decision came in the matter of Union Bank of India v/s C.G. Ajay Babu.

4. A clause in an employment contract barring its employee from competing with the firm for one year after leaving the job will be void, as it runs counter to Section 27 of the Contracts Act. This was stated by the Delhi High Court in its judgment in the case of Navigators Logistics Limited v/s Kashif Qureshi. Section 27 of the Contracts Act barred "Every agreement by which anyone is restrained from exercising a lawful profession, trade or business of any kind".

## LEGAL & TAXATION

1. On 13th September, 2018, the Central Board of Indirect Taxes & Customs have notified the Form for Audit Report and Reconciliation Statement that needs to be filed by taxpayers with turnover of more than Rs.2.00 crore under the GST law. It has also notified 1st October, 2018, as the date for implementation of provisions of Tax Collected at Source and Tax Deducted at Source. TDS is applicable for notified entities which supply goods and services worth over Rs.2.5 lakh, while the TCS is collected by E-commerce firms before making payment to sellers.



2. Delhi High Court has set aside the letter of the Directorate of Revenue Intelligence asking Union Bank of India to freeze the current account of R K Impex calling upon the bank not to permit any withdrawal till further communication. The High Court stated that the authorities have not been able to show any power under the Customs Act to take such an action. The authorities have the power to search the premises and seize the goods, but they have no power to issue a letter to the bank as they did.

3. A fashion show is an entertainment and as such the sponsors are liable to pay entertainment tax, this was ruled by Karnataka High Court in an appeal filed by Dream Merchants, who organized Bangalore Fashion Week in which there were lifestyle parties, after-hour parties, exhibition of designer products and apparels

and a fashion show. The sponsors collected a huge amount as entry fee, sponsorship fee and advertisement charges, which made the event within the definition of Entertainment under the State law.

4. Gujarat High Court dismissed a petition challenging the action of a bank taking over possession of assets of a company that allegedly failed to repay a loan. In the case of Bengani Udyog Ltd. v/s Small Industries Development Bank, the Court emphasized that the company can raise its arguments at the Debit Recovery Tribunal, it was not proper for the High Court to pass an interim order. The company must first exhaust alternative remedies available under the SARFAESI Act, before approaching the High Court.

## EXPORT & IMPORT

1. As per information available from DGCIS/Ministry of Commerce, the quick estimates of Textile and Clothing Exports for the period April-August, 2018 are as under :

Figures in Rs. Million

Product	April-August 2017-18	April-August 2018-19	% Growth
Cotton Yarn/Fabric/ Made-ups, Hand Loom Products, etc.	25,468	32,665	28
Manmade Yarn/ Fabric/Made-ups, etc.	12,456	14,088	13
RMG of all textiles	48,410	44,847	(-)7
June Mfg. including Floor Covering	916	929	1
Carpets	3,819	4,021	5
Handicrafts excl. Handmade Carpets	4,842	5,176	7
<b>Total Textiles</b>	<b>47,501</b>	<b>56,880</b>	<b>20</b>
<b>Total Apparel</b>	<b>48,410</b>	<b>44,847</b>	<b>(-)7</b>
<b>TEXTILE &amp; APPAREL</b>	<b>95,911</b>	<b>1,01,727</b>	<b>6</b>
<b>All Commodities</b>	<b>7,60,179</b>	<b>9,23,448</b>	<b>21</b>
<b>%age share of Textiles and Apparel in total Exports</b>	<b>13%</b>	<b>11%</b>	<b>-</b>

The Chairman, CITI, has observed that the positive trend in exports for the entire textile value chain has been result of pragmatic approach shown by the Hon'ble Union Ministers of Finance, Commerce & Industry on the issues of T&C Industry especially post-GST implementation.



2. The imports of textile yarn, fabrics and made-up articles during the period April-August, 2018 have shown a downward trend as under :

Figures in Rs. Million

Product	April-August 2017-18	April-August 2018-19	% Growth
Cotton Raw & Waste	4,055	2,478	(-)39
Textile Yarn, Fabrics, Made-up articles	4,793	2,289	(-)52

Last month the Government has increased import duty on 328 textile items from 10% to 20%, the real effect of which will be reflected in the coming months.

3. The Gujarat Chamber of Commerce & Industry has pointed out that Bangladesh is facilitating backdoor entry of Chinese textiles into India. It has, therefore, sought intervention of Textile Minister for

introducing protectionist measures to safeguard the domestic industry. India imported US\$ 87.4 million worth of readymade garments from Bangladesh during July-November, 2017-18, which was a sharp increase of 56% compared to US\$ 55.92 million during the same period of the previous year.

4. While textile exports from competing countries grew by 4% over the last decade, those from India grew by only 1%. Currency fluctuation in the recent weeks has made our efforts competitive. Meanwhile currencies of other countries are also getting devalued, so they might stop importing for the time being. The textile exports are more sensitive to the demand rather than the price segment and the demand is not picking up in the US and the Europe.

## STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) for the month of July, 2018 for the textile sector increased by 2.9% as compared to July, 2017. However, the cumulative growth of 13% has been recorded during April-July, 2018-19 over the corresponding period of 2017-18.

The IIP for wearing apparel for July, 2018 increased by 9.8% as against July, 2017, but a fall of 2.8% has been recorded for the period April-July, 2018-19 over the same period of the previous year.

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 period April-July, 2018-19 vis-à-vis April-July, 2017-18 has been as under:-

Figures in Million

	Unit	April-July 2017-18	April-July 2018-19	% Variation
MM Fibre	Kgs.	455	477	4.8
MM Fil.Yarn	Kgs.	401	374	(-)6.7
<b>Spun Yarn :</b>				
Cotton	Kgs.	1,364	1,396	2.3
Blended/N.C.	Kgs.	530	548	3.3
<b>Total</b>	<b>Kgs.</b>	<b>1,894</b>	<b>1,944</b>	<b>2.6</b>
<b>Cloth :</b>				
Mill Sector	Mtrs.	744	702	(-)5.6
Decentralized	Mtrs.	21,133	22,236	5.2
<b>Total</b>	<b>Mtrs.</b>	<b>21,877</b>	<b>22,938</b>	<b>4.8</b>

It will be observed from the above table, that there is continuous decrease in cloth production in the mill sector. However, the same is being compensated by increase in decentralized/power-loom sector.



3. The total borrowings by the textile companies in our Country have increased by 4.2% as on 20th July, 2018

as compared to 21st July, 2017 as per the data released by Reserve Bank of India. However, the total borrowings by textile companies have decreased by 4% on 20th July, 2018 as compared to 30th March, 2018. The highest credit deployed by banks to the textile industry was in man-made textile segment. The total outstanding bank credit to textile companies was as under :

Outstanding in Rs. Billion

Segment	21.07.2017	30.03.2018	20.07.2018
Cotton Textiles	971	1057	1010
Manmade Textiles	222	243	241
Jute Textiles	27	22	21
Other Textiles	713	776	743
<b>Total</b>	<b>1933</b>	<b>2098</b>	<b>2015</b>

4. India Ratings & Research in its report of 12th September, 2018, has maintained a stable outlook for cotton and synthetic textiles sector for the remaining part of the current financial year. The domestic demand for textiles to remain robust from end users, supported by strong rise in private consumption. Textile exports to rise, which will result in apparel exporters benefitting due to the depreciation of the Rupee. The profitability is likely to improve gradually with players passing on increased raw material prices to the end users, following healthy demand, which may be partly affected by working capital requirements on the back of cost inflation leading to steady reliance on debt.

5. The Textile Commissioner has issued Rationalized Guidelines for issue of Composite Mill Certificate on 31st August, 2018. The Certificates already issued will remain valid till the date of validity mentioned therein. However, the Units will have to fulfill the rationalized condition and criteria laid down now.

6. On 7th September, 2018, the Office of Textile Commissioner has issued an Office Memorandum in respect of Compliance of Norms of EAT Module in Public Financial Management System (PFMS) for processing the claims/subsidy under R-TUFS/RR-TUFS. It is pertinent to mention that release of Rs.77.16 crore is pending with the Ministry of Textiles due to non-registration of PFMS (EAT) Module by Nodal Banks.

7. The Department of Industrial Policy & Investment Promotion of the State has issued on 28th August, 2018 certain amendments/ new provisions to the Industrial Promotion Policy, 2014. The amendments/new provisions relate to revival of sick companies, incentive based on geographical multiples, skill development, PF and ESI assistance for physically challenged persons, etc.

8. On 27th September, 2018, Shri Sanjay Kumar Jain was re-elected as Chairman of CITI. Shri T. Rajkumar and Shri D. L. Sharma were re-elected as Deputy Chairman and Vice Chairman respectively. Our Congratulations.

9. On 7th September, 2018, Shri P. Nataraj was elected as Chairman of The Southern India Mills Association. Our Congratulations..