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## ASSOCIATION NEWS

1. In the News Letter for the month of October, 2018, we have reported that some of the Mills have received Showcause Notices/Demand Notices from Commissioner of GST, Customs & Central Excise asking them to pay Service Tax on amount of subsidy received by them from the Central/State Governments in respect of TUFS and other Schemes. One such Demand Notice was also received by Deepak Spinners Limited, Pagra. The Company aggrieved by the said Order preferred an appeal with the Commissioner (Appeals), GST, Customs & Central Excise, Bhopal. After going through the Demand Notice and the submissions of the Company, the Commissioner (Appeals) passed an Order on 14th January, 2019, the concluding part of which is as under :-

“....I hold that investment subsidy received by the Appellant is not chargeable to Service Tax for the reason that the said amount cannot be considered a consideration and the activity of investment made in the plant and machinery by the Appellant is not covered within the scope of entry (e) of the Section 66. Therefore, the order passed by the Adjudicating Authority is not legal and correct and the same cannot be sustained.



In view of the above, the order passed by the Adjudicating Authority is set aside and appeal filed by the Appellant is allowed”.

From the above Order of the Commissioner (Appeals), it is clear that Service Tax on subsidy amount received by the Mills is not a consideration involving an element of contractual

relationship with the Government and such subsidies and grants disbursed by the Government are not includible in the value of taxable services.

2. We have made a Representation to the Hon'ble Chief Minister and Minister of Krishi Vikas & Kisan Kalyan Vibhag to keep the Mandi Tax rate for Cotton at Re.one per Rs.100, even after 8th January, 2019. The Orders, for which are still awaited.

3. The Ministry of Textiles on 6th January, 2019, conferred Pratibha

Syntex Limited, Managing Director, Shri Shreyaskar Chaudhary with Outstanding Young Entrepreneur Award in the Textile Sector – Garments & Made-ups Category. He was awarded for his initiatives in the area of product innovation, process innovation, sustainability initiatives and marketing and branding innovation. With a motto of minimize environmental impact and maximize social impact, Shri Chaudhary ensured 100% waste water is recycled and 95% of it is used back in the system. Our Congratulations

## RAW MATERIAL

1. In its release of 2nd January, 2019, International Cotton Advisory Committee (ICAC), has revised its price forecast for 2018-19 cotton season to 86.45 Cents/lb. down from last month's forecast of 89.00 Cents/lb. This forecast is based on various assumptions including global consumption, ending stocks and World trade. The World cotton consumption is forecast at 26.70 million tons with ending stocks at 18.21 million tons. China's cotton consumption is projected at 8.45 million tons with ending stocks in China at 7.66 million tons. China is expected to import 1.60 million tons of cotton in this season. The World cotton production is projected at 26.16 million tons.

2. International cotton prices fell sharply during December, 2018, which saw the Cotlook-A Index decline to its lowest point of calendar year 2018. At the end of the month, the Index was hovering just over the threshold of 80 Cents/lb. having lost nearly 7% of its value during the month and over 20% since its high point in mid-June 2018. No single explanation for the abrupt downturn could be identified, but external micro-economic factors – slowing growth and unresolved Sino-US trade issue were given greater weight by most analysts, than cotton fundamentals. The second factor has been direct implication for US exports, since in early July, 2018 China placed an additional import tariff of 25% on US cotton, resulting in cancellation US export orders.

3. The Cotton Association of India (CAI) in its release of 8th January, 2019, reduced its estimate of cotton crop for 2018-19 cotton season to 335.00 lakh bales, which is lower by 5.25 lakh bales than its earlier estimate of 340.25 lakh bales. The CAI has reduced the crop estimates for Gujarat, Maharashtra and Telangana by 1.50 lakh



bales, 2.00 lakh bales and 2.00 lakh bales respectively. The main reason for reduction is that the farmers have uprooted their cotton plants in about 70-80% cotton area due to moisture deficiency/less rains having no scope for third and fourth picking.

CAI has increased its estimate of import of cotton from 15.00 lakh bales to 27.00 lakh bales. The domestic consumption is projected at 320.00 lakh bales and exports at 51.00 lakh bales. The carryover stocks is estimated at 14.00 lakh bales.

As per Cotton Corporation of India, cotton arrivals (2018-19 crop) till 23rd January, 2019 were 142.32 lakh bales (including 13.00 lakh bales in Madhya Pradesh).

4. Speaking at the 96th Annual General Meeting of the Cotton Association of India, its President Shri Atul Ganatra said, India needs to improve its cotton productivity drastically, if it is to remain net cotton



exporter. India's cotton yield is not increasing during last few years. As against World average of over 770 kgs./hectare, productivity of cotton in India is low at only about 500 kgs./hectare. There is hardly any scope for further increase in the acreage under cotton in India and therefore, the only way to match the increasing consumption of cotton domestically is to increase productivity. If the situation is not improved quickly, the day is not far off, when consumption of cotton in India will surpass production and Country will become a net cotton importer Country.

5. The continued trade tension between the US and China is impacting the global cotton and textile sectors. According to Dr. Gary Adams, President & CEO of Memphis based National Cotton Council, USA, "Back and Forth on Tariff Discussions is problematic and it results in the slowdown of global cotton demand". China's 25% tariff on US cotton affects the whole supply chain. China was expected to import about 3.00 million bales this season from US. Because of this situation, China may import less than 1.00 million bales from US. These trade tensions are casting some uncertainty as to the exact planting mix on farmers on the high plains of Texas.

6. The Commission for Agricultural Costs & Prices, Government of India has requested CITI's views and suggestions for tackling the problems faced by the cotton seed economy. Shri I. J. Dhuria, Director, Vardhman Textiles and Member Sub-Committee on Cotton Fibres & Related Issues has prepared a note highlighting following issues:-

- ★ High price volatility because of the present mechanism followed under Minimum Price Support results in distortion of the market. The Government should introduce Direct Subsidy System.
- ★ Impact on international competitiveness of Indian textile sector. The Impact of high price of cotton is likely to be reflected on the demand for cotton textile products from India from January, 2019 onwards, because Countries like Bangladesh, Vietnam and Indonesia are importing cotton and getting better yarn realization on account of mechanically picked growths.
- ★ Other concerns, which if attended, may result in increasing the farmers income manifold are –
  - (a) Adopting of next generation cotton seeds.
  - (b) Adopting and promoting high density planting system.
  - (c) Focusing on new innovations and technology in farm practices including integrated pest management.
  - (d) Making cotton least contaminated.

## POWER

1. As per reports, Shri Sanjay Shukla, Managing Director, Madhya Pradesh Power Management Company, stated that the three DISCOMs have submitted their tariff proposals for 2019-20 to us and efforts are being made to submit Annual Revenue Requirement and Tariff Revision Proposals to the MPERC by 31st January, 2019.



On an average hike of 23% is being demanded. However, as per another report, Director (Finance), Shri N. K. Jhawar of the Western Discom has stated that no demand for hike in tariff rates has been made for the next financial year. It may be recalled that last year the tariff for 2018-19 was not increased.

2. According to Union Power Minister, Shri R. K. Singh, the Government will soon approve the Power Tariff Policy, which would provide for a penalty on unscheduled power cuts (except in case of technical faults or Act of God – Natural Calamities) by the Distribution Companies from 1st April, 2019.

Talking about the power sector reforms, he said that the second version of UDAY Scheme meant for revival of debt laden DISCOMs is being worked out and would be launched with more technological interventions to reduce their aggregate technical and commercial losses.

## MAN POWER

1. The Federation of Indian Chambers of Commerce & Industry (FICCI) has proposed to the Ministry of Textiles the need for Housing Scheme in cities for workers, especially women, in garment factories. The need for



such a scheme arises from the growing difficulties faced by women garment workers due to lack of same and conveniently located accommodation in cities. FICCI has suggested that in case industry has suitable land, it could be offered by the Government by giving higher FAR for workers housing/hostel purposes. If the industry does not have suitable land, the local administration/gram panchayats may be requested to provide the same free of cost or with a nominal lease within a vicinity of 10 kms. of the metro periphery. Female employment is highest in the garment industry in India and it stands at 70% of total work force.

2. On 8th January, 2019, the Government introduced a Bill in the Lok Sabha to make provisions regarding recognition of Trade Unions. Introducing the Trade Unions (Amendment) Bill, 2019, Union Minister, Shri Santosh Kumar Gangwar said that so far there was no legal framework on representation of trade unions in policy making and the proposed legislation will address the same.

3. According to the Supreme Court all activities integral to the employment are covered under the concept of 'Notional Extension' of employment. The Court applied this principle in the case of Leelabai v/s Seema Chauhan. In this case the driver of the bus took the bus to his house, stayed back at home, so that the morning trip could start on time. He took meals at night on the top of the bus, but while descending he fell down and died. The Court said that the time and place can be reasonably extended to grant benefit to the employee.

4. Shri Ashutosh Awasthi, IAS, has been posted as Labour Commissioner of the State.





## LEGAL & TAXATION

1. Speaking at the Textile Conclave organized by ASSOCHAM on 20th January, 2019, at Gandhinagar, Union Textile Minister, Smt. Smriti Irani stated that the Government will look into the textile industry's apprehension regarding embedded duties not being refunded fully and that no tax is imposed on exports.



2. The Supreme Court in the matter of Sashi Prakash v/s NEPC Micon has emphasized that the jurisdiction of Civil Court is completely barred that are now in the dominion of the National Company Law Tribunal.

3. If a cheque bounces for want of sufficient funds, it can be presented again to the bank by the payee. If it bounces again, another notice could be sent under the Negotiable Instruments Act. After the first notice, the later notices would not become invalid, the Supreme Court ruled in its judgment in the matter of Sicagen India Ltd. v/s Mahindra.

4. Shri D. P. Ahuja, IAS, has been posted as Commissioner, Commercial Taxes of the State.

## EXPORT & IMPORT

1. As per information available from Office of DGCI&S, the exports of textile and clothing were down by 0.3% from US\$ 3002 million in December, 2017 to US\$ 2993 million in December, 2018. The cumulative textile and clothing exports during April-December 2018-19 were to the tune of US\$ 26,174 million as against US\$ 26,142 million in April-December 2017-18 showing an increase of 0.1%. The details of exports were as under :-

Figures in US\$ Million

Product	April-Dec. 2017-18	April-Dec. 2018-19	% Growth
Cotton Yarn/Fabric/Made-ups, Handloom Products, etc.	7,531	8,394	11.0
Man-made Yarn/Fabrics/Made-ups, etc.	3,556	3,704	4.0
Jut Manufacturing Including Floor Covering	256	253	(-)1.0
Carpets	1,079	1,119	4.0
Handicrafts	1,342	1,354	0.9
Total Textiles	13,764	14,824	8.0
Apparels	12,378	11,350	(-) 8.0
<b>Total Textile &amp; Clothing</b>	<b>26,142</b>	<b>26,174</b>	<b>0.1</b>
<b>All Commodities</b>	<b>2,22,767</b>	<b>2,45,444</b>	<b>10.0</b>
% age of T&C in total exports	12%	11%	-

2. The Cabinet Committee on Economic Affairs approved on 2nd January, 2019, the proposal of the Department of Commerce for including Merchant Exporters under the Interest Equalization Scheme (IES) for Pre and Post Shipment Rupee Export Credit by allowing them interest equalization rate of 3% on such credit for export of products covered under 416 Tariff lines identified under the Scheme, which are largely



in MSME/Labour intensive sectors including textiles. Around 30% of textile and apparel exporters will be benefited from this Scheme and the exports of textiles and apparels would be competitive in the World market to the extent of benefit under the Scheme.

3. Shri Sanjay Jain, Chairman, CITI, stated on 8th January, 2019, that Free Trade Agreements with European Union, Australia, Canada and Britain will help exports of garments and made-ups at par with its competitors such as Vietnam and Bangladesh. Reduction of import duty on Indian cotton yarn and fabrics by China is the biggest game changer that can transform the Indian textile and clothing industry. Another major issue, which can enhance the export competitiveness of our textile products is refund of all duties and taxes on exports across the value chain.

4. An improvement in US-China trade relations has started to hurt India's cotton yarn exports. Chinese importers have renegotiated orders of cotton yarn worth US\$ 400-500 million in the past few weeks. Importers, Import Agents and Chinese Bankers have defaulted and cancelled shipments/letters of credit on 10-12 contracts without assigning proper reasons. China may reduce planned 25% tariff on US cotton by 1st March, 2019. India has exported US\$ 892.4 million worth of cotton yarn to China in April-November 2018, which was 2.5% higher than exports in similar period of 2017-18.

5. The Union Commerce Ministry is working on recasting the Export Incentive Scheme in line with global trade norms of the World Trade Organization. The exporters are likely to get incentives based on parameters like research and development, product specific clusters and production pattern under the 5 year Foreign Trade Policy to be released later this year.

## STATE OF THE INDUSTRY

1. 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-November, 2018 as compared to the same period of the previous year has been as under :-

Figures in Million

Projects	Unit	Apl-Nov. 2017-18	Apl-Nov. 2018-19	% Growth
MM Fibre	Kgs.	903	961	6.4
MM Fil.Yarn	Kgs.	795	764	(-) 3.9
<b>Spun Yarn :</b>				
Cotton	Kgs.	2,699	2,812	4.2
Blended/N.C.	Kgs.	1,085	1,122	3.4
<b>Total</b>	<b>Kgs.</b>	<b>3,784</b>	<b>3,934</b>	<b>4.0</b>
<b>Cloth :</b>				
Mill Sector	Sq.Mtrs.	1,454	1,359	(-)6.5
Decentralized	Sq.Mtrs.	42,695	44,292	3.7
<b>Total</b>	<b>Sq.Mtrs.</b>	<b>44,149</b>	<b>45,651</b>	<b>3.4</b>

It is being observed that the production of man-made filament yarn is on continuous decline, whereas the shortfall in mill sector cloth production is compensated by increased production in decentralized sector.

2. The Index of Industrial Production (IIP) data for the period November, 2018 were released on 11th January, 2019, which are as under :-

Item	For the Month		Cumulative		% Growth	
	Nov. 2017	Nov. 2018	Apl-Nov'17	Apl-Nov'18	Nov. 2018	Apl-Nov'18
Textiles	117.7	112.0	116.0	118.9	(-)4.8	2.5
Wearing Apparel	118.1	144.2	132.0	143.1	22.1	8.4



3. The Department of Industrial Policy & Promotion of the Ministry of Commerce has released its Working Group Report on 5 Trillion Indian Economy, which consists of a brief on textile sector. India's textile market is expected to touch US\$ 250 billion in next two years from US\$ 150 billion (2017). India's share in global export of textiles is 5.7% and 4% in clothing (2016). The sector is labour intensive and employs over 45 million people. The Report suggests following measures:-

- ★ Earmark clusters for textiles, which will permit greater flexibility in labour laws and other regulations and quicker and easier approvals.
- ★ Correct any inverted duty in Customs and GST rate structures.
- ★ Identify global best practices in the sector and encourage adoption to improve efficiency and competitiveness.
- ★ Facilitate setting up of specialized fashion design courses with direct link to industry and curriculum in line with international designs and techniques.

4. One of the biggest challenges in exports of apparel is that unlike UK, US & Europe that have country specific size, India does not have one. The Government will carry out a study to come up with such an India specific size and measure in textile and garment sector. This was disclosed by the Union Textile Minister speaking at the Textile Conclave at Gandhi Nagar on 20th January, 2019.

5. The Union Government has Notified 207 HSN (Harmonized System Nomenclature) codes for technical textiles, which can be broadly grouped into 12 categories such as Agrotech, Meditech, Packtech, Clothtech, Indutech, Homotech, Geotech, Oekotech, Protech, Sportstech, Buildtech and Mobitech. Speaking at the National Conclave on Technical Textiles and Curtain Raiser of TECHNOTEX 2019 jointly organized by the Ministry of Textiles and FICCI, the Union Textile Minister on 29th January, 2019 stated that notification of H S Codes for technical textiles was unprecedented and would provide the much needed stimulus to growth. She announced that an Innovation Centre would be setup soon at New Delhi for this sector.

6. According to India Ratings, India's textile sector may see higher growth in 2019-20 following robust domestic demand and depreciating rupee value, waning impact of disruptions due to GST demonetization, etc. The textile companies are likely to improve cash-flow from operations for 2019-20 as their working capital would stabilize.

7. The Chief Minister of Madhya Pradesh has announced intention of his Government to establish four Garment Parks in the State. An area of 50 acres has been earmarked for one of the parks at Mohana near Betma by AKVN, as per the proposals submitted to the Government.

8. The 'Invest Madhya Pradesh' session was organized by the State Government and Confederation of Indian Industry at Davos (World Economic Forum: Annual Meeting) to promote the State as 'India's Emerging Economic Tiger'. The Chief Minister urged the investors to look at the State differently than they did earlier, saying he was doing his best and the investors should also do their best now. Apart from being biggest State, it has been blessed with a whole lot of minerals, is a power surplus State and has a huge road network and even the Narmada water is reserved for the industry. The main focus industries include agriculture, automobiles, textiles, etc. He promised land at competitive rates and all necessary steps to improve business ecosystem.

## BUDGET PROPOSALS 2019-20.

Shri Piyush Goyal, Union Finance Minister presented the Budget Proposals for 2019-20 in the Parliament on 1st February, 2019. The Textile Industry welcomed the budget, which is expected to give a major impetus to textile and apparel consumption by increasing purchasing power of middle class and farmers.

The outlay for textile sector for 2019-20 has been reduced to Rs.5831.48 crores as against revised estimates of Rs.6943.26 crores for 2018-19. The fund allocation for major textile sector schemes is as under :-

Figures in Rs. Crore

Scheme	BE 2018-19	RBE 2018-19	BE 2019-20
ROSL	2,164	3,664	1,000
ATUFS	501	601	730
Procurement of Cotton by CCI	924	924	2,018

For ATUFS the budget allocation has been steeply decreased. Last year only about 30% of the Budget could be used due to low disbursement. However, to clear the backlog, much higher allocation will be needed. Reduction in allocation for ROSL is a cause of great worry to the industry as it could lead to working capital blockage and delay in ROSL reimbursement. Procurement of cotton by Cotton Corporation of India has been increased, which is a move of the Government for doubling the income of the farmers. However, the industry desires the Central Government to introduce Direct Subsidy System for cotton farmers which will have no direct impact on cotton prices.