



Volume XIV No. 10

Indore, May, 2019 • Pages 4

Price Rs. 5/-

ASSOCIATION NEWS

1. On 12th February, 2019, the General Insurance Corporation of India have issued fresh fire amendments in the current treaty thereby making it effective from 1st March, 2019. These amendments have increased the insurance premium on fire and other risks coverage manifold. We have, therefore, made a Representation to the Chairman-cum-Managing Director, General Insurance Corporation of India, against the exorbitant hike in insurance premium for textile mills on the following grounds :-

- Hike in insurance premium only to selected sectors reflects discrimination among the industries.
- Even the basic fire rates, which are compulsorily covered, the premium has been increased manifold.
- Same formula have been applied for the industry having fully equipped latest fire fighting equipment and the industry not having such measures and more prone to higher risks.
- Sustainability of small and medium units in the textile industry will affect industrial growth, which is very sluggish in the current scenario.
- High premium liability will not only discourage the mills for undercover, but also will be heavy loss in case of occurrence of any incidence.

In view of the above, we have requested the underwriters to defer the implementation of revised directives.

The Confederation of Indian Textile Industry also has taken up the matter with Secretary, Textiles and Secretary/Joint Secretary, Department of Financial Services(DFS). The Secretary, Textiles has also recommended to the Secretary, DFS, to consider the request of textile industry. In the meantime, mills have been advised to renew the policies at revised rates and pay the increased premium under protest stating that in case there is any downward revision of the premium, the excess amount shall be either refunded or adjusted against the next premium.



RAW MATERIAL

1. The International Cotton Advisory Committee in its release of 1st April, 2019, has stated that despite persistent challenges, the global cotton consumption should reach an all time high in 2019-20. The World cotton production should rise to 27.60 million tons with an increase of 6% in global cotton yield. While the cotton industry continues to face trade uncertainties, slowing economic growth and weakening demand, the consumption is still expected to set an all time high reaching 27.30 million tons. The closing stocks are expected to be 17.70 million tons at the end of season 2019-20. ICAC's price projection at the end of 2019-20 is 81.25 Cents/lb. with a forecast range between 60.71 to 94.23 Cents/lb.

2. The Cotton Association of India (CAI) has reduced its cotton cropestimate for 2018-19at 321.00 lakh bales, which is lower by 7.00 lakh bales than its previous estimate of 328 lakh bale made during last month. It has reduced crop estimate for Gujarat by 1.00 lakh bales, Maharashtra by 0.80 lakh bales, Telangana by 4.00 lakh bales, Andhra by 1.00 lakh bales and Karnataka by 0.75 lakh bales, whereas there is a marginal increase of 0.50 lakh bales in Tamil Nadu. The main reason for reduction in cotton crop estimate is set to be scarcity of water in some States and the fact that farmers have uprooted their plants in about 70-80% area without waiting for third and fourth pickings.

3. Expressing concern over the current panic in the market and the firming up of cotton prices, the Indian Cotton Federation (ICF) has approached the Ministry of Textiles to intervene and direct the Cotton Advisory Board (CAB) to re-assess the cotton crop situation in the Country. CAB last met on 22nd November, 2018 and had estimated cotton crop at 361.00 lakh bales. The Government has been urged to come up with its own official production estimate to clear the ambiguity caused by differences in estimates of Cotton Association of India, which represents traders and Indian Cotton Federation, which represents consumers.

4. Shri Sanjay K. Jain, Chairman, Confederation of Indian Textile Industry (CITI), has stated that there is a great amount of uncertainty regarding estimation of cotton crop situation in the country causing great hardship for the value added textile industry,



especially for the spinning industry. There are rumors in the media indicating a low crop, which is creating chaos in the market, prompting people to stock cotton in anticipation. The cotton crop situation during last 12 years and based on the same an extrapolation has been done, which clearly shows that even if, we assume the yields to be worst in 12 years, the cotton crop would be at least 348.00 lakh bales.



The data for last 12 years is as under :-

**Area in Lakh Hectares, Production in Lakh Bales
& Yield in Kgs/Hectare**

Crop Year	Area	Production	Yield	Area for 2018-19	Expected Yield
2006-07	91.44	280	521	122.38	375
2007-08	94.14	307	554	122.38	399
2008-09	94.06	290	524	122.38	377
2009-10	103.10	305	503	122.38	362
2010-11	111.42	339	517	122.38	372
2011-12	121.78	367	512	122.38	369
2012-13	119.78	370	525	122.38	378
2013-14	119.60	398	566	122.38	407
2014-15	128.46	386	511	122.38	368
2015-16	118.77	338	484	122.38	348
2016-17	105.00	345	559	122.38	402
2017-18	124.29	370	506	122.38	364
Average of last 12 years			523	122.38	377
Average of last 10 years			521	122.38	375
Average of worst 5 years			503	122.38	362
Average of worst 3 years			498	122.38	358
Average of worst year			484	122.38	348

He has also pointed out that drought in many cotton growing regions in Gujarat, a few in Maharashtra and other cotton growing States has affected the yield. According to CITI, the cotton production for 2018-19 should not be less than 343.00 lakh bales, which will be a comfortable situation with a big ending stock of 40.00 lakh bales. CITI is fully confident that the Country will not have any shortage of cotton during 2018-19 crop-season.

5. The three different agencies, i.e., Cotton Association of India (CAI), Indian Cotton Federation (ICF) and Confederation of Indian Textile Industry (CITI) have drawn their own Balance Sheets for cotton season 2018-19. A comparative view of these are as under :

Quantity in Lakh Bales

Item	CAI	ICF	CITI
Opening Stock	28.00	43.00	41.00
Production	321.00	352.00	343.00
Imports	27.00	26.00	22.00
Total Supply	376.00	421.00	406.00
Mill Consumption	276.00		
SSI Consumption	28.00	325.00	316.00
Non-Mill Consumption	12.00		
Exports	47.00	50.00	50.00
Total Demand	363.00	375.00	366.00
Closing Stock	13.00	46.00	40.00

6. According to Shri M. B. Lal, former Chairman of Cotton Corporation of India, Indian cotton has become uncompetitive in the World market and China, which is largest importer has started buying cotton from Brazil. India's shipment of nearly 4.00-5.00 lakh bales of cotton is under serious threat of delivery default as Indian exporters face higher procurement prices than contracted for exports. Rising cotton prices may restrict India's export of cotton,

which have been around 40.00 lakh bales so far.

7. Cotton prices have been continuously rising for last one month and are already headed north with spot prices quoting at Rs.6500/quintal in Gujarat market. Ginned cotton prices have crossed Rs.46,500/Candy, which is an increase of about Rs.5,000/Candy within one month. The rally in prices is being attributed to reduction in crop estimates, slowdown in cotton arrivals in the market and higher future prices in New York market. As per Cotton Corporation of India, cotton arrivals till 16th April, 2019, have been 278.84 lakh bales (including 20.75 lakh bales in Madhya Pradesh).

8. As per reports, considering spurt in cotton prices, farmers are making up their mind to select more sowing of cotton crop in the approaching sowing season. According to Shri Kailash Agrawal, President, M.P.Association of Cotton Processors & Traders – 'Sentiments are robust among cotton farmers, because they fetched good price this season. Acreage under cotton is seen going up especially in Khargone region'. In the spot market, price of raw cotton has shot up to Rs.6100/quintal. Joint Director, Agriculture Department, Indore, Shri Rewa Singh Sisodiya, said "As per initial expectations, it is estimated that acreage under cotton will go up, while soyabean acreage is likely to remain stable".

9. The Ministry of Textiles have formed two Committees – one for Speciality Fibre and other to see how to take the segment forward. Both the Committees have submitted the reports. The Textile Secretary, Shri Raghvendra Singh, stated on 24th April, 2019, that technology is important for speciality fibre. We are trying to see how to get it. The Government is in talks with the Japanese Government and is also discussing with some companies in the US in this regard. -

POWER

1. The Madhya Pradesh Electricity Regulatory Commission (MPERC) has approved recovery of Fuel Cost Adjustment Charges @ 18 paise/unit for the billing quarter commencing on 1st April, 2019.

2. As per reports, power companies of the State have submitted Tariff Petitions for the year 2019-20 with the MPERC to raise tariff by 1.5%. The Companies were not allowed to make any hike in the tariff for the year 2018-19 and continued with the tariff for the year 2017-18. The power companies are citing losses and demanding immediate revision, which has been deferred due to Parliament Elections. MPERC is likely to invite and hear the suggestions/objections on the tariff proposals for 2019-20 in June, 2019 and the revised rates may be made applicable from July, 2019.



MAN POWER

1. The Labour Commissioner of the State has issued a Circular on 1st April, 2019, declaring paid holiday for industrial and commercial establishments on polling day in the State as per the provisions of Representation of Peoples Act, 1951.

The paid holiday have been declared as under :-

Date of Polling	Paliamentary Constituencies
29 th April, 2019	Sidhi, Shahdol, Jabalpur, Mandla, Balagha&, Chhindwara.
6 th May, 2019	Tikamgarh, Damoh, Khajuraho, Satna, Rewa, Hoshangabad& Betul.



12 th May, 2019	Morena, Bhind, Gwalior, Guna, Sagar, Vidisha, Bhopal & Rajgarh.
19 th May, 2019	Dewas, Ujjain, Mandsaur, Ratlam, Dhar, Indore, Khargone & Khandwa.

2. The Federation of Indian Chambers of Commerce & Industry (FICCI), has issued a draft paper for discussion on Workers Housing Scheme for Textiles and Garment Workers. The textile and garment industry is contributing immensely for the economic development of the country. Female employment in garment industry is highest in India compared to other sectors and it stands at 70% of total workforce in this industry.

The female workers face lack of safe and conveniently located accommodation. The Government of India introduced a Scheme in 1972-73 of grant-in-aid for construction of new/expansion of existing buildings or providing hostel facilities to working women in cities, smaller towns and also in rural areas. Many States are trying to attract textile and apparel units by offering attractive incentive schemes, but the migration of workers brings its own problems like separation from families, new environment, culture and food habits, etc. This problem can be arrested by devising suitable scheme, where industry has major concentration and will benefit in the following manner :-

- Retain investments and factories within cities.
- Motivate women to seek work opportunities away from their homes.
- Help in reducing attrition rate in the industry.
- Improve women participation in work force.
- Lift the garment industry to a new level, which would be helpful given the seasonal nature of the industry in attracting workers from rural areas.



LEGAL & TAXATION

1. In a landmark judgment, Gujarat High Court in the matter of Devarsh Pravinbhai Patel v/s Assistant Commissioner, Income Tax, has laid down that where employer deducted tax at source on salary payments made to the assessee, but did not pay the tax so deducted into the Government coffers, the Income Tax Department cannot deny the benefit of tax deducted at source by the employer of the assessee and credit of such tax would be given to the assessee for the respective years. If there had been any recovery or adjustments out of the refunds of the later years, the same shall be returned to the assessee with interest.



2. The Central Board of Indirect Taxes & Customs have allowed utilization of input tax credit of IGST towards the payment of CGST and SGST, in any order subject to the condition that the entire IGST liability has been first discharged using the accumulated credits.

3. The Central Board of Indirect Taxes & Customs have constituted three Working Groups to study and recommend measures to facilitate trade, promote exports and improve compliance. The Working Groups will focus on –

- Improving the legislative structure of customs tariff and update it to suit the future needs of the economy and industry. Special focus would be given to create comprehensive export tariff structure.
- Export promotion and facilitation with emphasis on boosting exports through E-commerce, addressing the trade facilitation

barriers faced in India's export markets and improve the quality of logistic services.

- Enhancing compliance, plugging loopholes to improve revenue collection of customs and curb IGST refund frauds.

The Groups will submit their reports within a period of two months.

EXPORT & IMPORT

1. As per information available from DGCI&S, Kolkatta, the export of textiles and clothing during the April-March 2018-19 as compared to April-March 2017-18 are as under:-

Figures in US\$ Million

Product	April-Mar. 2017-18	April-Mar. 2018-19	% Growth
Cotton Fabrics & Made-ups	5,482.87	5,946.46	8.46
Cotton Yarn	3,424.92	3,895.49	13.74
Cotton Raw including Waste	1,894.25	2,104.41	11.09
Other Textile Yarn, Fabric, Made-up Articles	409.81	457.63	11.67
Total Cotton Textiles	11,211.85	12,403.99	10.63
Man-made Yarn, Fabrics & Made-ups	4,826.33	4,980.49	3.19
MM Staple Fibre	586.82	570.81	(-)2.73
Total Man-made Textiles	5,413.15	5,551.30	2.55
Readymade Garments	16,706.94	16,137.78	(-)3.41
Wool & Woollen Textiles	186.86	221.70	18.65
Silk	68.54	76.37	11.42
Handloom Products	355.94	343.73	(-)3.43
Total Textiles & Clothing	33,943.30	34,734.87	2.33

2. The exports of readymade garments are under pressure and dropped by 3.41% to US\$ 16.14 billion in 2018-19 from US\$ 16.71 billion in the year before. Our garments were 10-15% costlier than other competing countries. Indian exporters are also over dependent on a narrow product base. Exports from Vietnam and Bangladesh grew by 11.19% and 13.70% respectively in 2018-19. According to Care Ratings, India's apparel exports comprised mainly of cotton garments (51%) with man-made fibre accounting



for around 28%. India needs to diversify its fibre base, as global consumption is diversified and MMF holds a much larger share as compared to cotton. Indian exporters face higher trade barriers compared to countries like Bangladesh, Vietnam and Pakistan in key markets such as US and EU. Average tariff levied on Indian exports are around 5.90% in EU, while it is 6.20% in US compared to 0% and 3.90% on exports from Bangladesh. US and EU are World's largest apparel importer and account for 60% of global imports.

3. At a recent meeting of Made-ups Sub Committee of TEXPROCIL, it was felt that business opportunities in countries like Malaysia and Singapore in South East Asia and UAE should be explored. Special efforts should also be undertaken to explore markets like Russia, Ukraine, Korea especially for home textiles.

4. China continues to be the largest market for export of cotton yarn (32% share) and the second largest market for export of cotton fibre (20% share). During the period April-February 2018-19, exports of cotton textiles increased by 69% as compared to the same period of 2017-18.

5. Nation wide raids were carried out across the country at different ports and 82 containers were apprehended by Directorate of

Revenue Intelligence for checking. Majority of containers were loaded with scrap and textile waste. A total of 60 textile firms located in Surat, Mumbai, Delhi and Chennai were involved in fake billing scam for taking benefit of duty drawback scheme.

6. The DGFT has issued following Notifications/ Circulars during the month of April, 2019 :-

- * Discontinuation of physical copy of MEIS/SEIS Scripts for EDI ports with effect from 10th April, 2019.
- * Validity period of export authorization for restricted (Non-SCOMET) goods increased from 12 months to 24 months.
- * Fee for application for reimbursement of benefits under transport and marketing assistance increased to Rs.1,000/-.
- * Shipping Bill (Electronic Integrated Declaration & Paperless Processing) Regulation, 2019 issued and made applicable from 25th April, 2019.

7. The United States of America has emerged as the leading markets for Indian textiles and clothing products with exports amounting to US\$ 7.54 billion during 2017-18 and it is likely to remain at the top position during 2018-19 with estimated export of around US\$ 8.0 billion as per projections made based on DGCI&S statistics. USA alone accounts for more than 20% of our total T&C exports to the World. Currently, top partner countries from which US is importing textiles and clothing products include China, Vietnam, India, Mexico and Bangladesh.

STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) data for the month of February, 2019 was released on 12th April, 2019 and are as under :-

Items	For the Month		Cumulative		% Growth	
	Feb. 2018	Feb. 2019	Apl- Feb'18	Apl- Feb'19	Feb. 2019	Apl- Feb'19
Textiles	115.0	113.5	116.9	118.4	(-)1.3	1.3
Wearing Apparel	142.9	170.5	134.7	150.3	19.3	11.6

2. Investments in the textile industry are picking up. During 2018, 269 Industrial Entrepreneur Memorandums(IEMs) were filed with the Department of Industrial Policy & Promotion. Around 79 IEMs were filed for yarn manufacturing, 49 for weaving, 31 for processing, 48 for readymade garments, 8 for knitting, 6 for made-ups and 44 for technical textiles (including disposal hygiene products and coated textiles). An analysis of IEM statistics show that in 2018, the industry revealed its intent to add approximately 1.36 million tons of annual capacity, which would come into operation over next 1-3 years. This 1.36 million tons capacity includes largely cotton and cotton blended yarns (around 80%) with the remaining being synthetic staple fibre and filament yarns.



Based on these IEMs around 566.9 million meters of fabric capacity would come up in the Country over next few years. If fully implemented, the processing IEMs would add around 700 million meters of dyeing, finishing, printing capacity in the industry. Based on RMG IEMs as much as 285 million pieces of readymade apparel capacity would be added, which may add to our exports and domestic consumption. IEMs for around 40 million meters of coated laminated textiles and 8590 million pieces of disposable hygiene products will be produced in the coming years.

Gujarat attracts investment in 98 IEMs out of total 269 IEMs filed. It is followed by Maharashtra (30), Madhya Pradesh (23), Tamil Nadu (19), Karnataka (17), Rajasthan (16), Haryana (9), Uttar Pradesh, Telangana and Andhra Pradesh (8 each), Dadra & Nagar Haveli (7), West Bengal (6), Jharkhand and Uttarakhand (4 each), Punjab (3), Odisha, Himachal Pradesh and Delhi (2 each), Assam, Daman and Jammu & Kashmir (1 each).

Arvind Ltd., Trident Ltd., Shahi Exports and AHP Apparel are among the top investors.

3. Federation of Indian Chambers of Commerce & Industry with the support of Department of Commerce organized India Pavilion at Inter-Textiles Shanghai 2019 from 12th to 14th March, 2019 in Shanghai, China. India Pavilion comprised 50 Indian companies and showcased the best of India in fibres, yarns, fabrics, home textiles and textile accessories. India Pavilion provided an excellent opportunity for Indian companies to explore business potential with specific purpose of encouraging exports and taking advantage of this unparalleled platform, which is largest fair for textiles, yarns and fabrics in Asia.

4. According to Shri Ganesh Kumar Gupta, President, Federation of Indian Export Organisations(FIEO), who met Shri Kamal Nath, Chief Minister of the State on 4th April, 2019, the Madhya Pradesh has potential to double its share in Country's exports in next five years. FIEO offered its assistance to help the State increase its share from about 1.6% in India's exports to over 3.0% in next five years. He urged the Chief Minister to lead a business delegation to China and Iran, which have huge demand for pharma, auto components, machineries, textiles (including technical textiles), etc. He also requested for inland freight subsidy for all products as the cost of carrying cargo from the State to JNPT works out to be more than overseas freight in many cases. The Chief Minister assured that he will proactively look into the issue of freight subsidy.

5. The International Textiles Manufacturers Federation has designed International Production Cost Comparison (IPCC) to trace the implications of the growing capital intensity in the primary textile industry. This Publication describes manufacturing and total cost of yarn/fabric broken down into various cost elements at different stages of textile value chain. Finishing segment has been added to the historical cost analysis in spinning, draw texturing, weaving and knitting. For the first time, geographic coverage counts Pakistan and Bangladesh besides Brazil, China, Egypt, India, Indonesia, Italy, Korea, Turkey, USA and Vietnam.

6. The merger of Madhya Pradesh Audyogik Kendra Vikas Nigams and Madhya Pradesh Trade & Investment Facilitation Corporation (TRIFAC) has not gone well with the industries of Pithampur and Dewas, as they have expressed concern over delay in approvals and flaws in online system to address the grievances of the units. Shri Kumar Purshottam, Head of Indore Branch of Madhya Pradesh Industrial Development Corporation(MPIDC) assured that working on flaws in the online system is being attended and they are constantly trying to improve the system.