



M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION

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Volume XIV No. 12

Indore, July, 2019 • Pages 4

Price Rs. 5/-

ASSOCIATION NEWS

1. As reported in our June 2019 Newsletter, the MPERC has proposed hike of 11.88% in industrial Electricity Tariff for the year 2019-20. The Association has made a detailed submission requesting that since Textile Industry is power intensive industry, as per provisions of Energy Conservation Act, a separate tariff should be provided for this industry. The Association has objected to any hike in the present tariff and has requested that as per ARR submitted by the DISCOMs, the electricity rates should be brought down.



2. On 28th June, 2019, 'Awareness Program on Commodity Derivative – Hedging Price Risk' was organized. Ms. Daxa Jani of MCX Investor Protection Fund made a presentation on the subject with specific reference to cotton hedging mechanism, factors influencing markets, price risk management, importance of hedging, etc. The programme was attended by a large number of Executives from the Member Mills. The queries raised by them were answered to their satisfaction. It was decided that a detailed note will be sent to MCX regarding difficulties faced by Member Mills in cotton deliveries/payments.

3. Grasim Industries Limited has bagged the Dun & Bradstreet (D&B) Corporate Award – 2019 for its stellar performance in the textile sector. Our Congratulations.

4. Our Chairman Shri Akhilesh Rathi has been elected President of Indore Management Association. Our congratulations

RAW MATERIAL

1. As per United States Department of Agriculture (USDA), release for June, 2019, the global cotton production in 2019-20 is forecast to rise by 5% above the previous year production of 125.3 million bales. This would be second largest crop on record after production of 127.2 million bales in 2011-12. The larger production is forecast for a number of major producing Countries in 2019-20, led by US – 3.6 million bales and India – 2.5 million bales. For 2019-20, India is forecast to return as the leading cotton producing Country, supplanting China, which had surpassed India in 2018-19. India's cotton crop for 2019-20 is projected at 28.5 million bales, which will be 23% of World cotton production in 2019-20.

2. The Cotton Association of India, as per its release of 3rd June, 2019, has retained cotton crop estimate for season 2018-19 at 315 lakh bales. The Association has not made any changes in its projection of cotton exports and imports for the season and maintained the same at 46 lakh bales and 31 lakh bales respectively. Cotton exports shipments from October, 2018 to May, 2019 are estimated at 44 lakh bales.

3. The second meeting of Consultative Committee of Cotton Advisory Board was held on 18th June, 2019. The Committee deliberated State-wise area, production, import, export and cotton consumption in the meeting. The Committee estimated area and production for the cotton season 2017-18 and 2018-19 as under :-

Area in Lakh Hectare, Production in Lakh Bales, Yield Kg./Hectare.

State	Area		Production		Yield	
	17-18	18-19	17-18	18-19	17-18	18-19
Punjab	2.91	2.68	11.76	11.50	687	729
Haryana	6.65	7.08	21.48	23.00	549	552
Rajasthan	5.84	6.29	23.26	25.00	677	676
Gujarat	26.24	26.59	103.84	87.00	673	556
Maharashtra	43.51	42.54	83.35	77.00	326	308
M.P.	6.03	6.14	22.14	24.00	624	665
Telangana	18.97	18.27	54.44	47.00	488	437
A.P.	6.46	6.21	21.26	15.00	559	411



Karnataka	5.47	6.88	17.32	15.00	538	371
Tamil Nadu	1.83	1.31	5.50	6.00	511	779
Odisha	1.45	1.58	3.65	4.50	428	484
Others	0.50	0.50	2.00	2.00	680	680
All India	125.86	126.07	370.00	337.00	500	454

The Cotton Balance Sheets for the cotton season 2017-18 and 2018-19 were drawn as under :-

Figures in Lakh Bales.

Particulars	2017-18	2018-19
Supply:		
Opening Stock	43.76	42.91
Production	370.00	337.00
Imports	15.80	22.00
Total Supply	429.56	401.91
Demand :	280.11	274.50
Mill Consumption		
SSI Consumption	26.181	25.00
Non Textile Consumption	2.77	12.00
Exports	67.59	50.00
Total Demand	386.65	361.50
Closing Stock	42.91	40.41

As per Cotton Corporation of India, cotton arrivals till 21st June, 2019, were 304.98 lakh bales (including 22.74 lakh bales in Madhya Pradesh)

4. As per reports, cotton shortage prompts spinning mills to switch to man-made fibres to keep their fabric cost immune to rising cotton prices. Use of man-made fibres in fabric blends has increased to 45% over last few months from 40% earlier. Gradually global trend of a bigger share of man-made fibres than natural fibres in textile blends is catching up. This will boost textile exports especially in sportswear segments. Shri R. K. Dalmia, President, Century Textiles & Industries Ltd. said "India is a cotton growing Country with a favourable tropical weather. Hence the use of cotton in India is high compared to rest of the World. Now there is an increasing demand for synthetic textiles amongst consumers, which is driving mills to produce more of man-made fibre blended products".

5. As per reports, the Government under Paramparagat Krishi Vikas Yojna is planning to promote organic cultivation of cotton in Madhya Pradesh, Maharashtra and Karnataka. A senior Government Official said "We are encouraging farmers by providing them seeds and agri inputs at lower rates to grow more organic cotton, which is healthier for human use in comparison with genetically modified varieties". Using organic methods to cultivate cotton saves water when compared with conventional methods that depend heavily on chemical pesticides, fertilizers on seed treatment.



associated as a partner or Director or occupier or owner and have arrears of electricity dues for the premises, where new connection is applied for. The amendment proposes that in respect of the premises, where such dues are payable, the new connection will not be provided unless outstanding dues as specified in the bills are duly paid and discharged. However, release of new connection shall not be refused in case of a specific order from the Court for non-recovery of arrears outstanding on the premises.



2. MPERC has approved FCA charges of 25 paise /unit for July-September, 2019 billing quarter.

MAN POWER

1. The Ministry of Labour & Employment has issued a Notification on 13th June, 2019, whereby the Employees' Contribution to Employees' State Insurance Scheme has been reduced from 1.75% of wages to 0.75%. The Employers' Contribution to the Scheme has also been reduced from the present 4.75% to 3.25%. The amendments shall come into force from 1st July, 2019.

2. Employees' State Insurance Corporation has issued a Notification on 15th April, 2019, inserting new regulation 96C in Employees' State Insurance (General) Regulations, 1950, whereby the Corporation or the State Government may refer a beneficiary to any tie-up arranged medical facility, where cost of such facility is borne by the Corporation and where the fund permits. An insured person should have completed minimum six months of insurable employment from date of registration and have contributed not less than 78 days in the relevant contribution period. If the facility is extended to family members, the insured person should have contributed for not less than 78 days in each of the two contribution periods.

3. Ministry of Labour & Employment vide its Notification dated 10th June, 2019 have prescribed certain procedures where any employer discharges, dismisses, retrenches or otherwise terminates the services of an individual workman and any industrial dispute connected with this arises between the worker and his employer, the Conciliation Officer shall exercise powers of Central Government under Section 10 read with Section 2A of the Industrial Disputes Act and makes such report to the Labour Court or the Tribunal.

4. For the employees of textile mills in the State governed by Sethi Award, the variable dearness allowance payable during the period April-June, 2019 has been increased by Rs.123.47 per month for Indore and related Centres and Rs.282.41 per month for Bhopal Centre.

5. Allowing a case filed by Hindustan Motor Finance Corporation, Justice N. Anand Venkatesh of Madras High Court has said "The act of employees remaining after the working hours inside the factory premises will amount to seizure and holding of the building, preventing the use of the premises by the employer and practically depriving the employer of his property". The Judge stated that though the entry by an employee into a factory premises during working hours would be perfectly lawful, their stay on premises after the working hours would certainly be unlawful and amount to trespass. Whatever be the object of a protest, the means adopted to achieve it must necessarily be lawful. In case of any strike or demonstration, the same can be conducted 200 metres away from the petitioner's factory premises.

6. In the case of Bihar State SC/ST Corporative Development Limited v/s State of Bihar, the Supreme Court has held that the

POWER

1. The Madhya Pradesh Electricity Regulatory Commission (MPERC) has issued Public Notice on 1st June, 2019 inviting comments/suggestions on its proposed second amendment to Electricity Supply Code, 2013. As per MPERC, the present Code does not provide an effective measures for recovery of arrears from consumers having entered an agreement in his name or the name of the firm or in the name of the company with which he was



termination of an employee on the ground that his initial appointment was illegal would amount to retrenchment and Section 25 of the Industrial Disputes Act dealing with retrenchment will be applicable to him and he will be eligible to certain labour welfare benefits.

7. In the case of Faridabad Industries Association v/s State of Haryana, the Supreme Court has held "Categorisation or classification by deeming workman in one category to belong to another category is in direct contravention of the contract between the employer and the employee and is beyond the jurisdiction of the State Government". The State Government had issued a Notification revising minimum wages and it went on to define skilled, unskilled workers and other matters. The Notification which went beyond fixing the wages was quashed by the Supreme Court.

8. As per reports, the Prime Minister has proposed an increase of upto 40% in minimum wages in some of the most remote areas of the Country. The rise in wages could affect exports of textile sector as well as the management of staff. According to Ms. Chandrima Chatterjee, Advisor, AEPC, some of the manufacturers, who have moved their production to the farthest States, where minimum wages is lower, would no longer have reasons for such a move.



The Confederation Indian Industry (CII) has also called upon the Government that States should have power to determine minimum wages as the concept of National Minimum Wage will affect job creation. It says minimum wages fixed by the States should be based on three criteria – geographic location, skill and occupation.

LEGAL & TAXATION

1. The Central Board of Indirect Taxes & Customs (CBITC) has extended the date from which the facility of blocking and unblocking on e-way bill facility as per provisions of Rule 138E of CGST Rules, 2017 shall be brought into force to 21st August, 2019.



2. The CBITC has issued a Circular on 17th June, 2019 regarding mechanism to verify IGST payments for goods exported out of India through respective GST field formations. Suitable mechanism will be worked out to identify suspicious cases.

3. The Delhi High Court in the matter of Best Cybercity Limited v/s ITO while quashing the notice issued to the firm as well as the rejection of objections to reopening of the assessment has stressed that reopening of an income tax assessment after four years must be based on 'tangible material' and the Assessing Officer's allegation that the assessee had failed to disclose his income fully and truly must be backed by sound reasons. His reasons must not be based on a mere change of opinion. Sections 147/148 of the Income Tax Act cannot be evoked to overcome an oversight, inadvertent error or mistake in the original assessment order.

4. In the matter of Surrender Singh v/s Virender Gandhi, the Supreme Court ruled that the amended provisions in the Negotiable Instruments Act tightening curbs on those accused of issuing bounced cheques shall be applicable with retrospective effect. The Section 148 states that in an appeal by the drawer of the cheque against his conviction, the Appeal Court may order him to deposit atleast 20% of the fine or compensation awarded by the Trial Court.

EXPORT & IMPORT

1. As per information available from Cotton Textiles Export Promotion Council (TEXPROCIL), during the period April-May, 2019, the Country's textile exports are as under:



Figures in US\$ Million

Commodity	April-May 2018	April-May 2019	% Change
Cotton Yarn/Fabrics/Made-ups, etc.	1837	1729	(-).5.9
Man-made Yarn/Fabrics/Made-ups, etc.	837	792	(-).5.4
RMG of All Textiles	2688	2938	9.3
Jute Products	49	51	4.0
Carpets	234	231	(-).0.9
Handicrafts, etc.	286	324	13.3
Total Textiles	3243	3128	(-).3.5
Apparel	2688	2938	9.3
Textile & Apparel	5931	6066	2.3
All Commodities	54770	56068	2.4
%age of T&C in total exports	11%	11%	

The exports of textiles in April-May, 2019 were down by 3.5% as compared to the same period of April-May, 2018.

2. The import of two major textile items during the period April-May, 2019 have increased as compared to the period April-May, 2018 and have been as under :-

Figures in US\$ Million

Commodity	April-May'18	April-May'19	% Change
Cotton Raw & Waste	153	156	1.5
Textile Yarn/Fabric /Made-ups, etc.	287	321	11.7

3. On 13th June, 2019, Ministry of Commerce has amended Para 4.95(j) of Handbook of Procedures 2015-2020, whereby the application for duty credit scrips have to be filed within one year of the Let Export date. After this period no application can be filed and shipping bills would become time barred.

4. The Union Commerce Minister, Shri Piyush Goyal has urged State Governments, Export Promotion Councils and Industrial Bodies to make efforts to engage with the World from a position of strength and to reduce dependency on subsidies and grants from the Central Government and strive to make industry and production more competitive and self reliant.

However, Tirupur Exporters' Association has urged the Ministry of Commerce to announce World Trade Organisation compatible alternate scheme in place of MEIS. Such a scheme is needed till India inks Free Trade Agreements with EU, UK, EAU, CEPA with Canada, CECA with Australia and other Countries.

5. Speaking at the CII Texexcel - 2019 Shri Dilip Gaur, Chairman, Confederation of Indian Industry, National Committee on Textile & Apparel (also Managing Director of Grasim Industries Limited), stated that India needs to create trade barriers for China to prevent it from dumping cheap textile products in the Country. Our industry should change its approach to move into the second growth phase with focus on quality and other aspects and aim for exports of

around US\$ 100 billion from the current US\$ 40 billion.

6. A delegation of FICCI Textiles Committee met Mrs. Smriti Zubin Irani, Minister of Textiles on 17th June, 2019 and impressed upon her to launch a special mission for synthetic fibre and textiles value chain to make Indian industry competitive in the global trade, which is predominantly done in the MMF based items. India's per capita consumption of man-made fibre is around 3 kgs., whereas the World per capita consumption is 12 kgs. Currently due to different GST rates in textile value chain refund accumulates due to inversion. FICCI suggested that under the SAFTA Agreement only those goods should be exempted from custom duty, whose raw material is also manufactured by SAFTA Countries. Such rules are required to stop import of garments from Bangladesh, which have increased by almost 82% in 2018-19 vis-à-vis 2017-18.

7. Identifying issues such as no incentives and cost pressures with the industry, the Government increased Rebate of State and Central Taxes and Levies (RoSCTL) by 3.2% for some items 4.5% for the rest, this step has helped export units to come out of downturn and also increase exports of apparel.

8. Union Commerce Minister, Shri Piyush Goyal, on 7th June, 2019 asked the Reserve Bank of India, Export Credit Guarantee Corporation (ECGC) and other Banks to work out modalities to make credit in foreign currency available to exporters at London Inter Bank Offered Rate (LIBOR) plus a maximum of 200 basis points. He pointed out that volume of export credit has been on declining trend for last few years. He also told the Federation of Indian Export Organisations (FIEO) to submit a report on issues like shifting from subsidies to cheaper availability of loan in foreign currency to exporters and ECGC enabling a credit guarantee to cover foreign currency lending to MSME. He also deliberated on Interest Subvention Scheme utilization and stressed the importance of finding ways to maximize impact of such subvention.

STATE OF THE INDUSTRY

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

Items	For the Month		Cumulative		% Growth	
	Apl. 2018	Apl. 2019	Apl-Mar 2017-18	Apl-Mar 2018-19	Apl. 2019	Apl-Mar 2018-19
Textiles	116.2	115.9	117.1	118.5	(-)0.3	1.2
Wearing Apparel	125.4	167.5	137.5	154.2	33.6	12.1

2. The information in respect of production of man-made fibre, filament yarn, spun yarn and cloth as available from the website of Ministry of Textiles for the period April-March, 2018-19 as compared to April-March 2017-18 is as under:

Figures in Million

Product	Unit	Apl-Mar. 2017-18	Apl-Mar. 2018-19	% Growth
MM Fibre	Kgs.	1,319	1,443	9.4
MM Fil.Yarn	Kgs.	1,187	1,155	(-)2.7
Spun Yarn:				
Cotton	Kgs.	4,064	4,182	2.9
Blended/NC	Kgs.	1,616	1,680	4.0
Total	Kgs.	5,680	5,862	3.2
Cloth:				
Mill Sector	Sq.Mtrs.	2,157	2,012	(-)6.7
Decentralized	Sq.Mtrs.	64,688	68,034	5.2
Total	Sq.Mtrs.	66,845	70,046	4.8

3. Union Textile Minister, Smt. Smriti Irani, on 21st June, 2019 said the Central Government has announced many key reforms, such as relaxation of sections of Income Tax Act, additional incentive under Amended Technology Upgradation Fund, introduction of fixed term employment, providing of whole of 12% employers' contribution towards Employees' Provident Fund and Pension Scheme. Further to make the apparel sector competitive Government is providing Rebate of State and Central Taxes/Levies embedded in manufacturing. India's traditional textiles and synthetic materials cater to different domestic market segments, which are primarily cotton focused and cater to niche markets. The share of imported apparel with respect to domestic apparel market is nearly 1.4%.

4. The Union Textile Minister conducted a stakeholders meeting on 12th June, 2019 for knitting and knitwear sector development at Udyog Bhawan, New Delhi. The announcement at the meeting included Rs.50 crore sanctioned for the knitwear sector. Under SAMARTH Scheme training of one lakh workers has been approved over and above this Budget. It was also decided that all pending cases of TUFS will be cleared expeditiously.

5. As per calculations made by Apparel Resources, the textile industry will be able to save Rs.180 crore per month or Rs.2160 crore per year on account of reduction of employers' contribution to ESI from 4.75% to 3.25%. Industry experts feel that around 30% of workforce of four million is under payroll and avail ESI facility, therefore, by saving Rs.150 per worker this saving will arise.

6. The Central Government has constituted two Cabinet Committees to address the problems of sluggish economic growth and rising unemployment. The five Member Committee on Investment and Growth will focus on measures to bring investment in critical sectors. The ten member committee for employment and skill development will take steps for increase of employment in key sectors including textiles. These Cabinet Committees are to be chaired by the Prime Minister.



7. The Trident Group, which has largest spinning installations at a single campus in Madhya Pradesh at Budhni will add more than 1.6 million spindles and 3,600 rotors to manufacture 100% cotton yarn. The Group already has more than 5.4 million spindles and 6,464 rotors already in operation. The new capacity is expected to come online in 2021.

8. The State Government of Madhya Pradesh will hold Global Investors Summit (GIS) from 18th October to 20th October, 2019 at Brilliant Convention Hall, Indore. More than 3,000 industry leaders from 42 Countries will be invited to this event. The theme of the event is "Magnificent Madhya Pradesh". This was disclosed by the Chief Minister, Shri Kamal Nath in his brief note after a meeting on Investor Policy and GIS on 17th June, 2019. The focus will be on FDI, Vision of Madhya Pradesh 2030.