



# M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF  
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION

Chairman :  
**Shri Akhilesh Rathi**

Vice Chairman :  
**Shri Shreyeskar Chaudhary**

Dy.Chairman :  
**Shri Subhash Jain, Shri D.K. Mittal**

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## ASSOCIATION NEWS

1. At our request, the Government of Madhya Pradesh had agreed for implementation of Confederation of Indian Textile Industry – Cotton Development & Research Association (CITI-CDRA) Project in Ratlam, Jhabua and Dhar Districts of the State. CITI-CDRA on its own decided to make efforts to improve the production of ELS Cotton by undertaking collaborative project involving our Association, Member Mills, State Agricultural University, Krishi Vigyan Kendras and Bayer Crop Science. The Project is implemented in 1,423 villages covering 62,500 hectares with 55,735 farmers from these three districts. Preliminary trials of ELS BT Hybrids have been undertaken in Ratlam district. Minerva seeds were tried in 3 clusters of the project area and average kapas yield was 13.75 quintals per hectare.

Seeds of Bayer Crop Science (SP 904) and SIMA-CDRA (SHB-3 and Mahashakti) were tried at 136 different locations in Ratlam and Jhabua districts. The average kapas yield for SP-904 was 18.58 quintals per hectare in Ratlam district and 13.67 quintals per hectare in Jhabua district, while it was 16.55 quintals per hectare for SHB-3 in Ratlam district and 11.00 quintals per hectare in Jhabua district. For Mahashakti average yield in Ratlam was 13.11 quintals and in Jhabua district 16.00 quintals/hectare.

The implementation of the project for ELS Cotton has been as under :-

Area in Hectares.

	Ratlam	Jhabua	Dhar	Total
Area Under Cotton	29,430	31,035	93,559	1,54,024
Area Under Project	27,500	31,000	4,000	62,500
Clusters	Ratlam Sailana Bajna-I Bajna-II	Jhabua Petlavad Thandla Ranapur	Sardarpur	Nine Clusters

## RAW MATERIAL

1. As per release dated 3rd May, 2019 of International Cotton Advisory Committee (ICAC), USA is expected to remain the World's largest cotton exporter in 2018-19 despite ongoing Chinese tariffs. China is projected to be the World's largest consumer at 8.45 million tons. The decline in US exports to China due to ongoing trade dispute being offset by increasing exports from Australia and Brazil. China has reported that it will auction 0.08 million tons of cotton from its reserves in 2019.

2. In its Meeting held on 31st May, 2019, the Crop Committee of Cotton Association of India (CAI) has reduced cotton production estimates for the season 2018-19 by six lakh bales to 315.00 lakh bales from its previous month estimate of 321.00 lakh bales. It has also projected import of cotton at 31.00 lakh bales during the current season as against 15.00 lakh bales during last season. The export for the current season is projected at 46.00 lakh bales as against export of 69.00 lakh bales during last season, which is lower by 33%. The State-wise cotton production and arrivals till 31st May, 2019, have been projected as under :-

Quantity in Lakh Bales

State	2017-18	2018-19	Arrivals till 31st May 2019
Punjab	9.00	8.75	8.28
Haryana	23.60	23.00	21.52
Rajasthan	23.40	27.25	26.96
Gujarat	105.00	82.50	73.50
Maharashtra	83.00	74.20	69.50
Madhya Pradesh	21.50	23.25	21.50
Telangana	51.50	38.00	34.96
Andhra Pradesh	18.50	14.00	11.45
Karnataka	18.75	14.25	12.50
Tamil Nadu	5.75	5.50	3.30
Odisha	4.00	3.30	3.25
Others	1.00	1.00	1.00
<b>Total</b>	<b>365.00</b>	<b>315.00</b>	<b>287.72</b>



However, as per Cotton Corporation of India (CCI), cotton arrivals till 28th May, 2019 are reported to be 300.02 lakh bales (including 22.72 lakh bales in Madhya Pradesh).



3. The United States Department of Agriculture (USDA), which has estimated cotton crop in India for 2018-19 at 345.00 lakh bales earlier has revised its estimate by 20.00 lakh bales to 325.00 lakh bales, as per its release of 10th May, 2019.

4. Although cotton situation is good globally, in India there has been a shift to use man-made fibre and consumption of cotton is expected to be less apart from the cut in utilization levels by many mills. Speculation about the cotton crop by different bodies does not augur well at this juncture. The Cotton Advisory Board has not met for last six months. The industry sources have stressed the need for putting a full-stop to such speculation and enforcing the 26th April, 2017 Notification issued by Ministry of Textiles on submission of all related statistics to the Office of Textile Commissioner.

Official data on the opening stock at the beginning of the season (1st October, 2018) is 47.12 lakh bales, whereas the Cotton Association of India has put it at 28.00 lakh bales. This difference coupled with fall in production estimates has led to confusion. According to Secretary General, Southern India Mills Association, "There were quality issues due to pink bollworm infestation last year, but the quality of cotton has been very good this season. Drought did impact the crop in Maharashtra and Gujarat, but it was not huge".

5. Due to rising cotton prices, the major spinning mills have started use of man-made fibre to keep their fabric cost lower. It is estimated that use of man-made fibre in fabric blends has increased to 45% over last few months from 40% earlier and the use of cotton has declined to 55% from 60%. Despite the shift India is far below the global average of man-made fibre use of 70% in blended fabrics. However, India being a cotton growing Country with a favourable tropical weather, the use of cotton in India is high as compared to rest of the World.

6. The Country's cotton imports from US rose over three fold to 2,56,100 bales (US bale = 218 kgs.) in April, 2019 from 79,900 bales in March, 2019 due to high domestic prices and short supply, as per information released by US Department of Agriculture. A sudden rise in domestic cotton prices to around Rs.47,500/Candy from around Rs.41,500/Candy at the beginning of March, 2019 has led the Mills to import cotton. Mills in South India are finding imports to be much cheaper than buying locally and spending huge amount on transportation from Gujarat and Maharashtra.

7. Cotton prices are expected to remain range bound in India till June, 2019 and, even as cheaper imports from US are reported. Although cotton prices have come down a bit in May, 2019, there is no buying interest in the market. There is very less buying and selling of cotton at present and everyone is in wait and watch mode. The cotton prices increased to Rs.46,300/Candy on 2nd May, 2019 from Rs.41,700/Candy on 1st March, 2019. The traders have been expecting cotton prices to touch Rs.50,000/Candy, but the prices have fallen to Rs.44,500/Candy on 22nd May, 2019.

8. African nations have surpassed India to become the largest source of cotton for Bangladesh. According to information from Bangladesh Textile Mills Association, India accounted for 26.12%

of the total cotton imports down from more than 60% two years ago. Last year Bangladesh met 37.06% of its cotton requirement from East and West African Countries due to low quality of Indian cotton.

## POWER

1. On 31st May, 2019, the Madhya Pradesh Electricity Regulatory Commission (MPERC) notified Annual Revenue Requirement and Proposed Electricity Tariff for the year 2019-20. The tariff proposals for textile industry (HV-3.1) are as under:-

	2018-19 (Actual)		2019-20 (Proposed)	
Fixed Charges	Rs./KVA of Billing Demand/p.m.		Rs./KVA of Billing Demand/p.m.	
11 KV Supply	330.00		400.00	
33 KV Supply	510.00		580.00	
132 KV Supply	610.00		680.00	
220/400 KV Sup.	620.00		690.00	
Energy Charges (Rs./Unit)	Upto 50% LF	Above 50% LF	Upto 50% LF	Above 50% LF
11 KV Supply	6.60	6.00	7.50	6.90
33 KV Supply	6.50	5.50	7.40	6.50
132 KV Supply	6.05	5.25	6.60	5.60
220/400 KV Sup.	5.65	5.00	5.90	5.25

The other terms and conditions have remained almost similar to that of 2018-19. The comments/suggestions have to be submitted latest by 23rd June, 2019.

2. Six iron and steel companies/rolling mills of the State filed an appeal in the Appellate Tribunal for Electricity requesting it to set aside the order dated 31st March, 2017 of the Madhya Pradesh Electricity Regulatory Commission to the extent that it provides undue preference to the new industries by offering a rebate of Re.1 per unit or 20%, whichever is lower in energy charges for a period of five years from the date of connection to such new projects. The Appellate Tribunal in its order dated 12th April, 2019, has observed that providing incentives to new industrial consumers would be at the cost of additional burden on existing consumers. As per Section 65 of the Electricity Act, the State Government can provide direct subsidy to any consumer. The APTEL has set aside the order dated 31st March, 2017, so far it relates to the extent of providing incentives to the existing and new HT Consumers and directed the MPERC to pass an appropriate order in the matter. The order of MPERC is still awaited.



3. The Ujwal Discom Assurance Yojna (UDAY) was launched in November, 2015 and designed to turn around the precarious financial position of State Power Distribution Companies. The Scheme had three critical components – takeover of Discom Debts by State Governments, Reduction in aggregate Technical and Commercial (AT&C) losses, Timely tariff revisions and elimination of gap between average per unit cost of supply (ACS) and average revenue realized (ARR) by 2019. But the Scheme has not been successful as the few objects, i.e., reduction of AT&C losses to 15% and reduction of debt between ACS-ARR still remains very high. The other operational efficiency target of feeder metering, smart metering and feeders segregation have also not been obtained in the State.

4. As per reports, Water Charges in Pithampur Industrial Area have been raised from the present Rs.41.88 per thousand liters to Rs.46.07 per thousand liters.





## MAN POWER

1. The average of Cost of Living Index for Industrial Workers for the period July-December, 2018 increased by 13 points over the average of January-June, 2018 and accordingly, the Variable Dearness Allowance has increased by Rs.325/- p.m. As per Notification dated 27th May, 2019, issued by Labour Commissioner, Indore, the Minimum Wages payable to various categories of workmen stand revised from 1st April, 2019 as under :-

Category	Basic p.m.	Variable DA p.m.	Total p.m.	Total Per day
Unskilled	Rs.6,500	Rs.1,200	Rs.7,700	Rs.296
Semi-Skilled	7,057	1,500	8,557	329
Skilled	8,435	1,500	9,935	382
Highly Skilled	9,735	1,500	11,235	432

2. The Employees' Provident Fund Organisation has issued a circular on 20th May, 2019 drawing attention towards Rule 8 of Part-A of 4th Schedule of Income Tax Act, which excludes the accumulated balance due and becoming payable to the employees from inclusion in total income. The conditions are -



- \* The employee has rendered continuous service with Employer for five years or more.
- \* If he has not rendered such continuous service, the same has been terminated by reasons of –
  - a) The employee's ill health.
  - b) By the contraction or discontinuance of employer's Business or
  - c) Other cause beyond the control of employee.
- \* While computing the period of continuous service, the period of service rendered under former employer shall also be counted.

3. In the case of Globe Ground India Employees Union v/s Lufthansa German Airlines, the Supreme Court has held that the parent company cannot automatically be made a party in an industrial dispute, if the subsidiary company is an independent corporate entity. The subsidiary Indian company of the Airlines was providing ground handling and ancillary services at airports. It formed a joint venture with another company, which in turn floated another firm for ground handling. Services of some of the employees of this firm were terminated, who moved Industrial Tribunal. Being failed at Tribunal, they moved Delhi High Court, where also they did not get a favorable order. They moved Supreme Court to make the Airlines a party to dispute, where their plea was rejected. Supreme Court observed that if a subsidiary company is an independent corporate entity and another company is holding shares that by itself is no ground to implead the parent company.

4. As per reports, the Madhya Pradesh High Court on 10th May, 2019, granted a stay on proceedings undergoing at Industrial Tribunal in respect of Century Textiles & Industries Limited's Century Yarn and Century Denim units, which had directed the company to run the units instead of paying wages to the workers, who were sitting idle.

## LEGAL & TAXATION

1. The Department of Revenue, Ministry of Finance has issued a Circular on 30th April, 2019, clarifying that Upfront Amount (called as premium, salami, cost price,



development charges or by any other name) payable in respect of service by way of granting of long term lease (of 30 years or more) of Industrial Plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 50% or more ownership of Central Government, State Government, Union Territory to the industrial units or the developers in any industrial or financial business area will attract GST @ NIL rates.

2. Exporters of Goods & Services as well as SEZ Units are likely to get refunds automatically as the Revenue Department plans to introduce faceless scrutiny of refunds and faster claim settlement. Under GST every person making a claim of refund on Zero rated supplies has two options. Either, he can opt for export without payment of IGST under Bond/LUT and claim a refund of accumulated ITC or he may export on payment of IGST and claim refunds.

3. The Government is likely to introduce soon an electronic invoice mechanism under GST, but could restrict it to large companies in the initial phase. This will automatically register every transaction on GST network. After its successful implementation, the Government is upbeat about opting for e-Invoicing as it looks to control tax evasion.

## EXPORT & IMPORT

1. As per information available from Cotton Textiles Export Promotion Council (TEXPROCIL), during the period April-March, 2018-19, the Country's cotton textile exports reached a level of US\$ 12,403.99 million, which marks an increase of 10.63% as compared to the same period of previous year. The details of cotton textiles exports are as under:



Figures in US\$ Million

Commodity	April-March 2017-18	April-March 2018-19	% Change
Cotton Yarn	3,424.92	3,895.49	13.74
Cotton Fabrics & Made-ups.	5,482.87	5,946.46	8.46
Other Textile Yarn, Fabric, Made-up articles	409.81	457.63	11.67
Raw Cotton including Waste	1,894.25	2,104.41	11.09
<b>Total</b>	<b>11,211.85</b>	<b>12,403.99</b>	<b>10.63</b>
<b>Percentage Share</b>			
Cotton Yarn	30.50	31.40	
Cotton Fabrics & Made-ups.	48.90	47.90	
Other Textile Yarn, Fabric, Made-up articles	3.70	3.70	
Raw Cotton including Waste	16.90	17.00	

2. The Director General of Foreign Trade has issued a Trade Notice on 13th May, 2019, whereby submission of physical copy of RCMCs have been discontinued with effect from 1st July, 2019 while filing application for incentives/entitlements under Foreign Trade Policy.

3. As per Public Notice dated 14th May, 2019 issued by Department of Commerce, applications for claiming rewards under MEIS on exports shall be filed online using digital signatures on DGFT

website with RA concerned in ANF 3A.

4. Director General of Foreign Trade has issued on 24th May, 2019, Draft Comprehensive ITC (HS) Export Policy, 2019 inviting comments/suggestions from stakeholders /exporters.

5. Due to ongoing trade war between USA and China, the USA has hiked additional tariff to 25% on US\$ 200 billion imports from China, which is applicable from 10th May, 2019. Textile products from Chapter 50 to 60 are part of the list of notified imports from China, on which additional tariff has been increased to 25%. The value of such textile products is approximately US\$ 3.96 billion in 2018, which is 2% of USA's notified US\$ 200 billion imports from China. India's exports of such products to USA in 2018 is approximately US\$ 1.71 billion, which is 43% of USA's imports from China. Most of these products belong to cotton textiles, floor coverings, non-woven cordage and man-made filaments and does not include garments and made-ups. The additional tariff hike provides an opportunity to India to increase its exports to US.

## STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) data for the month of March, 2019 was released on 10th May, 2019 and are as under :-

Items	For the Month		Cumulative		% Growth	
	Mar. 2018	Mar. 2019	Apl-Mar'18	Apl-Mar'19	Mar. 2019	Apl-Mar'19
Textiles	119.0	117.7	117.1	118.4	(-1.1	1.1
Wearing Apparel	169.3	174.5	137.5	152.3	3.1	10.8

2. Since the website of Office of Textile Commissioner is not working since 11th March, 2019, the Textile Commissioner vide its Circular dated 8th May, 2019, has extended the time limit for submission of Hank Yarn Packing Returns for quarter ending 31st March, 2019 by 30 days. Mills have been advised to submit hard copy of the Returns to Regional Offices also.



3. Confederation of Indian Textile Industry (CITI) has submitted (after collecting inputs from Regional Textile Associations) its Pre-Budget Memorandum to the Finance Ministry. The important suggestions are as under:

- \* Increase Basic Custom Duty on Viscose Spun Yarn from 5% to 20%.
- \* Remove Import Duty on Man-made Fibre from the present 5% to NIL.
- \* Increase Custom Duty on Cotton Fabric imports from China from 10% to 25%.
- \* Increase rates of Duty Drawback reimbursement of Central/State taxes not being reimbursed on cotton yarn, fabric, etc.
- \* Extend RoSCTL benefit for yarn and fabric exports.
- \* Allow utilization of Duty Credit Scripts for payment of IGST, CGST and SGST.
- \* Allocate Rs.9,000 crore to meet long pending TUF Subsidies.
- \* Reduce Hank Yarn Packing Obligation from 30% to 20%.
- \* Introduce Cotton Price Stabilization Fund Scheme consisting of 5% interest subvention, reduction of margin money from 25% to 5% and increasing credit limit from three months to nine

months.

- \* Include cotton yarn under MEIS.
- 4. On 29th May, 2019, CITI has made a Ten Point Agenda to be addressed by the New Government on priority basis, which are as follows :-
- \* Simplify TUFS Guidelines and clear all pending subsidy claims in a time bound manner.
- \* Extend RoSCTL benefit for entire textile value chain to increase the exports.
- \* Technology Mission on Cotton may be launched with focus on improving cotton productivity and making Indian cotton internationally competitive.
- \* Direct subsidy to cotton farmers should be Introduced, when cotton prices fall below Minimum Support Price.
- \* Announce National Fibre Policy to ensure adequate availability of quality raw material at international prices.
- \* Mission mode approach for promoting MMF Sector by correcting inverted GST duty structure and introducing uniform GST rate of 12% for MMF Sector.
- \* Reduce Hank Yarn Obligation.
- \* Introduce ESI benefits for entire textile and clothing industry including unorganized sector.
- \* Urgent need to negotiate FTAs with EU, Australia, Canada, Britain, etc. to ensure level playing field against competitors like Bangladesh, Vietnam, Cambodia, Pakistan, Sri Lanka, etc.
- \* Address GST issues of the industry.

5. A high level 12 Member Expert Panel headed by Economist, Shri Surjit Bhalla, constituted by the Commerce Ministry has submitted its Report to the Government in the third week of May, 2019. The Group has suggested that Free Trade Pacts with countries such as Bangladesh that have zero duty access to the Indian market should be reviewed, modify labour laws (such as Industrial Disputes Act, 1947) to remove the limitation on firm size and allow manufacturing firms to grow so that they need not take permission from the Labour Department before terminating employment. The bone of contention has been the law prescribing any firm employing 100 or more workers has to seek permission from the Labour Department before any lay-off or retrenchment. The Government should encourage large investment, consolidation of firms and enlarge clusters.

6. In the new Shri Narendra Modi Cabinet, Smt. Nirmala Sitaraman has been made Finance Minister, whereas Smt. Smriti Irani, Minister of Textiles and Shri Piyush Goyal, Minister of Commerce & Industry.

7. Shri Sanjay A. Chahande, IAS, has been appointed as new Textile Commissioner, Government of India, at Mumbai.

8. Dr. Rajesh Rajora, IAS, has been posted as Principal Secretary, Industrial Policy & Investment Promotion Department of the State.