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INDEPENDENCE DAY GREETINGS TO ALL OUR READERS

ASSOCIATION NEWS

1. On 6th July, 2019, a Programme on Union Budget 2019-20 was organized jointly with Textile Association (India) MP Unit and others. Dr. Jayantilal Bhandari, renowned Economist, speaking on the occasion stated that this Budget will give impetus to new India. It has vision for 5 trillion dollar economy for India. The Budget is for women, youth, farmers and every section of the society. More spending on infrastructure will boost the economy, give required growth in demand for industry and generation of employment. Lowering of Corporate Tax will provide for extra funds to the industry for expansion. Training of 75,000 entrepreneurs for agro-rural industry will add to the income of farmers. CA Subhash Deshpande explained various changes in Income Tax law, particularly regarding TDS on cash withdrawals from banks, etc., exceeding Rs. One Crore, e-payments, inclusion of membership fee, car parking fee, electricity/ water facilities fee for the purpose of Section 194-1A of the Income Tax Act. CA Sunil Jain explained provisions of Income Tax and Goods and Services Tax particularly 2% interest subvention for MSMEs, deduction of interest paid on purchase of e-vehicles by individuals and utilizing credit in IGST for CGST, payment of interest on net demand of GST after adjustment of ITC. CS Ajit Jain was of the view that this Budget will give good returns in shares of banking companies, housing finance companies, etc. Dr. Kamlesh Bhandari was critical of the Budget and was of the view that it will not be possible to achieve 5 trillion dollar economy by 2024, unless the present growth rate of 6.7% reaches 13%.

2. On 28th June, 2019, the Association has sent a Representation to Shri Upendra Gupta, Commissioner (GST Policy Wing), Government of India, with a request for refund of excess Input Tax Credit due to inverted duty structure of Goods and Services. The Textile Industry with significant input service does not get to utilize the input credit of these services and there is no mechanism to get the refund of unutilized credit, which results in such taxes being a cost to this industry. In textile industry, input job work services form a

significant portion of the total input cost. We have suggested a formula, whereby entire ITC on input services will be considered to have been utilized against payment of output tax liability.

3. On 10th July, 2019, the Association has submitted a Representation to the Hon'ble Textile Minister. During the last five years, the exports have been almost standstill, while imports have increased. With a view to improve the condition of textile industry, we have made the following suggestions:

- * Investment subsidy under TUFs should be made available for replacement of spinning machinery and the guidelines should be simplified. All pending claims to be cleared in a time bound manner.
- * RoSCTL benefit should be extended to entire textile value chain, which will help boost exports.
- * Signing of FTAs and PTAs should be expedited.
- * Import of garments from Bangladesh has indirectly led to entry of Chinese fabric in the Country duty free. It needs to be stopped.
- * Cotton farmers be paid subsidy under DBS, whenever cotton prices fall below MSP.
- * Cotton Price Stabilization Fund with 5% interest subvention for purchase of cotton, enhancement of bank credit from three to nine months and reduction of margin from 25 % to 10% is needed for regular availability of cotton to industry.
- * There is a need for uniform rate of 12% GST for MMF Sector including its raw material.
- * Provision of 3% Interest Equalization Scheme for yarn sector.
- Reduction of Hank Yarn Obligation from 30% to 15%.

4. Our Deputy Chairman, Shri D. K. Mittal (President of Maral Overseas Limited) has been included as Employer's Representative in the newly constituted Madhya Pradesh Minimum Wage Advisory Board as per Gazette Notification dated 18th July, 2019.

RAW MATERIAL

1. The International Cotton Advisory Committee (ICAC) in its release of 1st July, 2019 has stated that during the cotton season 2018-19, the cotton consumption will outpace production by one



million tons. The production and consumption are projected to be 25.7 million tons and 26.7 million tons respectively. The major producers including USA, Pakistan and Australia have suffered production losses due to poor weather conditions and lack of water, but Turkey and Brazil have posted positive results. The ending stocks for 2018-19 have been projected at 17.8 million tons.

2. The Cotton Association of India (CAI) has further lowered its crop estimates for 2018-19 cotton season to 312.00 lakh bales (as against 315.00 lakh bales estimated earlier). According to this estimate, per hectare productivity of cotton works out to nearly 420.72 kgs., i.e., 2.47 bales per hectare, which is the lowest in the decade.

3. There was a sudden slump in international cotton prices in the first fortnight of July, 2019, but the domestic prices, which normally follow suit, have not fallen to that extent. The news of weak cotton acreage and decadal low in productivity in the current cotton season are keeping the prices elevated. The Cotton Advisory Board (CAB) has estimated cotton output of 343 lakh bales, whereas the CAI has put the figures at 312 lakh bales. The increase in minimum support price for medium and long staple cotton by 2% and 1.8% respectively for cotton season 2019-20 is also supporting higher prices.

According to Care Ratings Limited "World cotton production is projected to be lower than consumption for the fourth year in row. This has marginally supported cotton prices in cotton season 2018-19 despite the subdued demand. Production in India and USA declined during this cotton season and is expected to lead to shrinking of stockpiles in the World". This could change the dynamics of global textile market.

4. Cotton spot prices in India are likely to remain higher than global prices due to better quality and lower output. The commodity prices in India has bucked the global slump in current financial year due to US-China trade war. The Cotton Corporation of India (CCI) has a stock of over 9 million bales from the last season bought at minimum support price and commercial rates from farmers. The Indian Cotton Federation (ICF) has called upon the CCI to release the cotton held by it at market rates urgently, so that the cotton spinning mills running at under capacity can get raw material at reasonable prices and do not incur further losses.



5. Cotton imports by the Country are set to double during current cotton season, which ends in September, 2019. Industry sources estimate imports to cross 30.00 lakh bales, which is double of last cotton season import of 15.80 lakh bales. So far 27.00 lakh bales have been contracted for imports and about 14.00 lakh bales have arrived at ports till July end. According to trade sources, prices are likely to hover between Rs.44,000-46,000 per Candy.

6. Cotton imports by China in 2019-20 are likely to surpass the previous years' level and it will remain the World's largest importer. Iran is likely to become self-sufficient in cotton by 2025. It's cotton sowing area will reach 90,000 hectares by 2021 and 1,00,000 hectares by 2025. Its cotton production is expected to reach 2.81 lakh tons in 2021 and 3.86 lakh tons by 2025. The cotton production in Kenya is also expected to triple over last year's figure. The production of 10,672 tons of cotton last year is likely to touch 30,000 tons this year.

POWER

1. The Union Power Minister, Shri R. K. Singh, has stated that DISCOMs have to pay penalty for power cuts not caused by technical faults or natural disaster and the compensation should be credited in the accounts of consumers. This move is a part of Government's efforts to ensure the States fulfill their commitment of 24x7 power supply, they gave by signing the "Power for All" document. The penalty will be tough measure taken by the Ministry to discipline the DISCOMs.



2. The Madhya Pradesh Power Management Company has filed a writ petition in the Supreme Court against an Order passed by the APTEL, wherein it held that the action of The Madhya Pradesh Electricity Regulatory Commission (MPERC) of approving a differential tariff for new industrial units, which was lower by Re.1/Unit and the same was not extended to existing consumers/industries was contrary to the provisions of Electricity Act, 2003, whereas the State Commission under Section 62(3) can only differentiate between consumers on limited grounds mentioned therein.

MAN POWER

1. The Lok Sabha passed Code on Wages Bill, 2019 on 30th July, 2019. Among the four Acts being subsumed in this Code include Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965 and Equal Remuneration Act, 1976. This Code seeks to extend the coverage of minimum wages to the entire workforce in the Country and proposes to do away with need for employers to obtain multiple licenses for hiring contract workers. The State Governments will not be allowed to fix minimum wages below the statutory floor wages fixed by the Centre.

The second Code on Occupational Safety Health & Working Conditions Bill, 2019 has also been introduced in the Lok Sabha and it proposes to extend provisions of Safety, Health, Welfare and Working Conditions from around nine major sectors to all establishments with at least 10 workers.

2. The Central Government is working on an incentive scheme of reimbursement of seven weeks wages for entities that provide 26 weeks maternity benefits to their women employees as provided for in the Maternity Benefits (Amendment) Act, 2017. To avail this benefit, the woman employee should be a wage earner of less Rs.15,000 per month and a member of Employees' Provident Fund Organisation atleast for one year and not covered under Employees' State Insurance Scheme.

3. In the matter of Supreme Paper Mills v/s State of West Bengal, the Calcutta High Court has ruled that the term 'Employer' does not include the Director of a company. It is the company, which is the employer and not its Director, either singly or collectively. In this case, the Enforcement Officer from Employees Provident Fund Organisation filed FIR against the Company, its Chairman-cum-Managing Director, two Directors and the General Manager for breach of trust, because they had not deposited the amount with its Statutory Authority in time. The High Court quashed the charge sheet against the Executives, but asked the Company to stand trial.

4. In the matter of Employees' Provident Fund v/s Godavari Garments, the Supreme Court has ruled that those who work from



home for piece rate wages for a company are also 'Employees' under the Employees' Provident Fund & Miscellaneous Provisions Act and the company is bound to pay their Provident Fund contribution. The company was manufacturing garments and employed women to stitch garments on their machines at home with raw material provided by the company. Since the company has right to reject stitched garments, it had supervisory control over the employees, the judgment emphasized.



LEGAL & TAXATION

1. In a major relief to exporters, the Central Government will now pay Input Tax Credit refund of State taxes, thereby reducing transaction time, costs and manual interface in claim processing. At present taxpayers file refund claims with the Central Tax Officers, who clear half the claim and rest of the amount is cleared by the State Tax Authorities leading to higher time taken in claim processing.



2. The Gujarat High Court has ordered the Central Government and the Central Board of Indirect Taxes & Customs not only to pay the IGST refunds to Saraf Natural Stone, but also directed the Authorities to pay the dues with 9% interest for delay caused in the process. It ordered the Government to make payment within two months. There is a provision in the IGST Act, which says that 90% of the tax refund should be paid upfront and the rest 10% to be paid in next seven days. The company moved the Court in October, 2018, citing 15 export invoices on which it had claimed refunds of over Rs.13 lakh in August, 2017. Bench of Justice J. B. Pardiwala and Justice A. C. Rao passed the judgment in the matter.

EXPORT & IMPORT

1. As per information available from Cotton Textiles Export Promotion Council (TEXPROCIL), during the period April-June, 2019 vis-à-vis April-June, 2018, the Country's textile exports are as under:



Figures in US\$ Million

Commodity	April-June 2018	April-June 2019	% Change
Cotton Yarn/ Fabrics/Made-ups, etc.	2824	2521	(-)10.7
Man-made Yarn/ Fabrics/ Made-ups, etc.	1240	1155	(-)6.9
RMG of All Textiles	4046	4170	3.1
Jute Products	76	79	3.2
Carpets	354	346	(-)2.3
Handicrafts, etc.	444	462	4.1
Textiles	4938	4563	(-)7.6
Apparel	4046	4170	3.1
Textile & Apparel	8984	8733	(-)2.8
All Commodities	82472	81080	(-)1.7
Percentage of T&C in total exports	10.89	10.77	

2. The export of cotton yarn has dropped by 35% in the first quarter of 2019-20 at US\$ 696 million as compared US\$ 1063 million in the same period last year. In the month of April, 2019, the fall was 21% to US\$ 266 million compared to US\$ 337 million in the same month previous year. May 2019 saw a decline of 31% to US\$ 241 million against US\$ 349 million in May, 2018 and in June, 2019, there was a whopping decline of 50% to US\$ 188 million compared to US\$ 378 million in June, 2018. India has lost its main yarn market of China to Vietnam, which has a duty free access, whereas our yarn attracts 3.5% duty.

The GDP growth in China has fallen and there are recessionary trends in major cotton markets including Bangladesh. Our main cotton yarn markets include China, Bangladesh, Pakistan, Vietnam and South Korea. The export of polyester yarn has also seen a slump owing to a trade war between US and China.

3. Polyester exports comprising of staple fibre, filament yarn and 100% spun yarn declined for the seventh straight month in June, 2019. In June, 2019, total polyester export was worth US\$ 114 million, including US\$ 24 million worth of staple fibre, US\$ 81 million of filament and US\$ 9 million of spun yarn. The major component filament exports were down by 30%, while staple fibre exports slumped 19% and spun yarn by 23% in June, 2019.

4. The Ministry of Commerce & Industry has floated a Cabinet Note for a new Export Incentive Scheme that would be compliant with WTO norms. The Rebate of State and Central Taxes of Levies Scheme, which is at present available on export of garments and made-ups will be extended to all exports in a phased manner. The MEIS will be withdrawn in phases and the scrip's rates would be fixed three months after the Cabinet decision.

5. Shri Prabhu Damodaran, Convener of Indian Texpreneurs Federation stated on 27th July, 2019, that the trade war between USA and China has provided a good opportunity to Indian textile sector. With the global export of textiles pegged at US\$ 260 billion, the export from China to US has gone down by 3-4% in last five months, which has to be cashed in by our industry.

6. The import of two major textile items during April-June, 2019, as compared to the period April-June, 2018 have been as under :-

Figures in US\$ Million

Commodity	April-June 2018	April-June 2019	% Change
Cotton Raw & Waste.	235	296	26.0
Textile Yarn/ Fabrics/Made-ups.	3058	3357	9.8

7. The import of fabrics and apparel are being dumped in our Country. In response to a question in Rajya Sabha, Union Textile Minister said challenges with regard to textiles produced in Bangladesh, the access given to it through SAFTA route is something that has been discussed with Minister of External Affairs and the Commerce Minister. We are trying to evoke the issue of origin, so that we can ensure that our markets are not flooded via Bangladesh with Chinese goods.

STATE OF THE INDUSTRY

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

Items	For the Month		Cumulative		% Growth	
	May 2018	May 2019	Apl-May'18-19	Apl-May'19-20	May 2019	Apl-May 2019-20
Textiles	118.9	123.2	117.6	122.1	3.6	3.8
Wearing Apparel	150.8	163.7	138.1	164.9	8.6	19.4

The Index for textiles declined from previous month due to lower price of viscose yarn, synthetic yarn, texturized and twisted yarn. However, the price of knitted and crocheted fabrics and other textiles moved up. Index for wearing apparel declined from previous month due to lower prices.

2. According to a report of India Ratings & Research (IND-Ra), cotton accounts for 51% of total material cost and continues to remain at an elevated level, thereby pressurizing domestic industry margins. The report highlights the trends in sub-segments of textile sector including cotton, man-made fibres, yarns and fabric with a focus on commodity prices, imports, exports, production, capital expenditure and recent rating actions. With fall in spreads, the agency now expects a continued trend of increased imports in 2019-20. Due to scarcity of water, cotton production projection have been reduced and more cotton bales need to be imported to meet the domestic consumption. Yarn production has been fluctuating over last six months, although the production average has been maintained.

3. According to a report of Research & Markers.com, the Indian textile and apparel market was worth US\$ 102.2 billion in 2018 and is projected to reach US\$ 225.7 billion by 2024, growing at a CAGR of 14.2% between 2019-2024. Due to high abundance of raw materials coupled with cheap labour costs, the cost of manufacturing textiles and apparel is significantly lower than many other competing Countries.

4. The Representatives of various Industry Associations including our Chairman met the 15th Finance Commission on 3rd July, 2019. The Commission observed that the State Government needs to take steps to facilitate structural transformation of the economy.

5. Pratibha Syntex Limited with focus on sustainability in association with Fairtrade distributed home appliances to its workers – an initiative that got support from the brands like Patagonia, MEC and Prana. To understand the needs of workers, a survey was conducted before the event and on the basis of response, five options of home appliances were given to workers. This initiative will ease the life of workmen.



6. Online registration has begun for State Investors Summit, 2019, being held on 19th/20th October, 2019 at Indore. Government is focusing on technological advancement and has divided the event in 14 sessions on various sectors.

- Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for export of garments and made-ups came into effect from 7th March, 2019.
- Rates of MEIS have been enhanced from 2% to 4% on garments and made-ups.
- Under Market Access Initiative (MAI) Scheme, interest equalization rate for pre and post shipment credit for exports by MSMEs raised from 3% to 5%.
- Export of apparel has shown an increase of 16% from 116 million units in 2016-17 to 157 million units in 2018-19. Export of textiles and clothing has shown an increase of 2.7% from US\$ 35,666 million in 2017-18 to US\$ 36,627 million in 2018-19.
- Scheme for development of knitting and knitwear sector launched in January, 2019 with an outlay of Rs.47.72 crore.
- Benefit of Interest Equalization Scheme extended to Merchant Exporters from 2nd January, 2019.
- Share of India in global textile exports is 6.3%. Textile exports contribution to Country's total exports is 12.2% in 2018-19.
- Exports of cotton for 2018-19 cotton season estimated at 50 lakh bales, of which 44.69 lakh bales exported till 30th April, 2019.
- Under Integrated Skill Development Scheme, 11.14 lakh persons trained from 2010-11 to 2017-18, out of which 8.43 lakh persons provided employment.

UNION BUDGET 2019-20 :HIGHLIGHTS

The Union Finance Minister presented Budget for 2019-20 in Parliament on 5th July, 2019. Some of the highlights relating to textiles sector are as under :-

- Provision for ATUFS – Rs.700 crore, for procurement of cotton by CCI under Price Support Scheme – Rs.2017.57 crore, Scheme for Integrated Textile Parks – Rs.20 crore, Integrated Scheme for Skill Development – Rs.100.50 crore and Research & Capacity Building – Rs. 142.24 crore.
- Reduction of Custom Duty on import of wool fibre and wool tops from 5% to 2.5%.
- Reduction of Custom Duty on Naptha from 5% to 4%, a key raw material for synthetic fibre.
- Provision of Rs.350 crore under Interest Subvention Scheme for MSMEs.
- Threshold for applicability of Corporate Tax rate of 25% increased from Rs.250 crore to Rs.400 crore.
- Rationalization of Labour Laws in 4 Labour Codes to ease business compliance costs.

TEXTILES IN PARLIAMENT

During the current session of the Parliament, the Union Minister of Textiles, gave replies to various questions raised in Lok Sabha/Rajya Sabha. Some of the important information provided is as under :-