



M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION

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ASSOCIATION NEWS

1. In the month of February, 2019, DISCOMs submitted proposal to the Madhya Pradesh Electricity Regulatory Commission (MPERC) asking tariff hike of 1.59%, but after the Lok Sabha elections, the same was increased to 12%. MPERC in its Press Release of 8th August, 2019, claimed that tariff hike for non-domestic connections have been kept low at 4.9% only, but actually the hike has been much more and varies from 6 to 7%. We have collected data from some of the Mills and the same are tabulated below, which clearly show that the hike is much more than what is claimed by MPERC:

Mill	Category (KVA)	P.F.	Av.Rate before Revision	Av.Rate after Revision	% increase
A	132	99	Rs.6.54	Rs.6.94	6.12
B	132	99	Rs.6.08	Rs.6.48	6.44
C	33	99	Rs.6.80	Rs.7.26	6.73
D	33	99	Rs.6.85	Rs.7.31	6.73
E	33	99	Rs.6.91	Rs.7.37	6.71

The increase is even more than the above percentage in the Mills, which are not able to achieve power factor of 99%. Moreover, the Mill units are required to pay interest to Banks @ 12% approximately on increased electricity bill as also on the Additional Security Deposit equivalent to 45 days consumption (on additional value). Thus the overall impact of rate revision by MPERC works out to around 8%.

RAW MATERIAL

1. According to 3rd September, 2019, release of the International Cotton Advisory Committee (ICAC), the global cotton production is expected to increase by 5% to 26.89 million tons during cotton season 2019-20. The global cotton consumption is projected to increase by 1% to 26.66 million tons. About 43% of expected global production will come from China and India alone and the competition between the two would be very close. Despite US-China trade barriers, the cotton production in US is expected to increase by 23%. The World cotton supply and demand during

2017-18, 2018-19 and 2019-20 has been projected as under:

Quantity in Million Tons.

	2017-18	2018-19	2019-20
Beginning Stocks	18.48	18.72	18.09
Production	26.68	25.72	26.89
Supply	45.16	44.44	44.99
Consumption	26.37	26.34	26.66
Exports/Imports	9.09	9.30	9.48
Ending Stocks	18.72	18.09	18.33

2. According to OECD-FAO Agricultural Outlook 2019-2028, World cotton production is expected to reach 29.20 million tons and India will remain the World's largest cotton producer with production of 7.21 million tons (424 lakh bales) in 2028. World cotton yield will grow slowly, as the production domain gradually shifts from high yielding countries, especially China, to low yielding ones in South Asia and West Africa.

Year	Area lakh hectares		Production lakh bales		Yield kgs/ha	
	India	China	India	China	India	China
2015	118.77	34.13	338.00	305.88	484	1524
2016	108.45	31.00	345.00	288.24	541	1581
2017	122.35	33.50	373.53	346.47	519	1758
2018	123.70	33.67	355.88	336.70	489	1700
2019	125.06	33.40	362.30	335.64	493	1708
2020	126.39	33.01	368.21	332.47	495	1712
2021	127.71	32.59	374.47	329.37	498	1718
2022	129.13	32.22	381.37	327.30	502	1727
2023	130.54	31.92	388.38	329.11	506	1737
2024	131.96	31.68	395.51	325.48	510	1747
2025	133.39	31.44	402.70	324.69	513	1756
2026	134.82	31.15	409.74	323.10	517	1763
2027	136.26	30.82	416.89	320.96	520	1770
2028	137.73	30.47	424.21	318.59	524	1777

3. The Cotton Association of India (CAI) in its latest release has maintained cotton crop for season 2018-19 at 312.00 lakh bales as against Cotton Advisory Board (CAB) estimate (18th June, 2019) of 337.00 lakh bales. The cotton production estimate for Madhya Pradesh has been 22.93 lakh bales. According to CAI imports are estimated at 29.00 lakh bales and exports at 44.00 lakh bales.



However, as per Cotton Corporation of India (CCI), till 28th August, 2019, 324.27 lakh bales arrived in the market. This figure may further increase, when data upto 30th September, 2019 are available.



4. At the Annual Mahacot Conference held at Jalgaon on 23rd September, 2019, it was estimated that cotton production may increase by 20% over the previous year due to good rainfall and may be 375.00 lakh bales in 2019-20. Cotton prices are currently higher than global rates and according to Shri Arvind Jain, Vice President, Khandesh Ginning Pressing Association, industry expects domestic prices to remain firm till December, 2019, as new crop arrivals may be delayed on account of late sowing. Price of cotton is expected to touch Rs.40,000/ Candy.

5. Data compiled by Union Ministry of Agriculture have showed a 5% increase in total cotton sowing area at 12 million hectares as on 13th September, 2019. Raw cotton prices have turned around from below the MSP of Rs.5150/quintal three months ago, due primarily to a surge in Mills demand. Lower output last year and delayed arrivals this year have helped cotton prices to rise.

6. Cotton Corporation of India(CCI) is set to buy 10 million bales during cotton season 2019-20, if the cotton prices fall below MSP. Presently prices are above MSP at Rs.5900/Quintal in North India, where fresh crop has started arriving. Dr. P. Alli Rani, Charman-cum-Managing Director, CCI told that presently CCI is operating 358 procurement centers, the same can be increased, if required.

7. On 19th September, 2019, Office of the Textile Commissioner has notified Minimum Support Prices (MSP) of cotton for the cotton season 2019-20, which are effective from 1st October, 2019. The MSP of major varieties areas under :-

Class	Staple Length (mm)	MSP (Rs./Quintal)
Short Staple	20 & below	4,755.00
Medium Staple	21.5-22.5	5,005.00
	21.5-23.5	5,055.00
	23.5-24.5	5,105.00
Medium Long Staple	24.5-25.5	5,255.00
	26.0-26.5	5,355.00
	26.5-27.0	5,405.00
Long Staple	27.5-28.5	5,450.00
	27.5-29.0	5,500.00
	29.5-30.5	5,550.00
Extra Long Staple	32.5-33.5	5,750.00
	34.0-36.0	5,950.00
	37.0-39.0	6,750.00

8. Addressing the 59th Annual General Meeting of All India Cotton Seed Crushers Association, Dr. P. Alli Rani, CMD, Cotton Corporation of India, admitted that perhaps she was the latest entrant in the cotton fraternity and does not have much exposure, but being an economist and having acquired some insights of the cotton trade and industry over past two years, ruled out that Minimum Support Price is the reason for slowdown of Indian cotton supply chain. It was not right on the part of the industry to say that global yarn business was lost on account of high domestic cotton prices. The only single solution for the problems faced by this sector is to increase the productivity.

POWER

1. The Madhya Pradesh Electricity Regulatory Commission (MPERC) has approved FCA Charges of Rs.0.30 per unit for the October-December, 2019 billing quarter as against Rs.0.25 per unit in the last quarter.

2. The Energy Department of the State vide Notification dated 30th August, 2019, exempted Cotton Yarn Unit No.4 of Sagar Manufacturers Pvt. Ltd., Tamot, from payment of Electricity Duty for a period of seven years from 12th February, 2019.

3. As per reports, the State Government is trying to implement its plan to privatize power in the State. Two firms (Tata Power and FEDCO) have presented their models and have suggested that these could help Government cut down losses in the power sector. The first model is to set up a franchise and the second is to allow private firm, its own DISCOM. In the franchise model, the Government would give the distribution and revenue collection to a firm, while in the second a new DISCOM will be opened by the private sector. As per Officials of CM Secretariat, possibility is more of going with franchise model and handing over distribution and revenue collection to a firm initially on pilot basis. The Government is considering this option, since Power DISCOMs have failed to cut losses, which are shocking 30% causing a yearly loss of Rs.4,000 Crore.



MAN POWER

1. On 27th September, 2019, Employees Provident Fund Organisation has issued orders to credit interest @ 8.65% for the year 2018-19 to the account of each member of the Scheme.



2. The Ministry of Labour & Employment (MoL&E) vide its Notification dated 6th September, 2019 has increased exemption limit of payment of ESI Contribution from Rs.137 per day to Rs.176 per day.

3. By another Notification dated 26th August, 2019, the MoL&E has increased income limit for dependent parents of insured persons under ESI Scheme from Rs.5,000 to Rs.9,000 per month for availing medical benefits.

4. Considering the increase in average of All India Consumer Price Index for Industrial Workers for the period January-June, 2019, over the previous half year, the Variable Dearness Allowance on minimum wages has increased by Rs.250 per month. As such the Labour Commissioner, Indore, has notified minimum wages payable from 1st October, 2019 to 31st March, 2020 as under :-

Category	Rs. Per Month			Rs. Per Day
	Basic	D.A.	Total	
Unskilled	6500	1450	7950	306
Semi Skilled	7057	1750	8807	339
Skilled	8435	1750	10185	392
Highly Skilled	9735	1750	11485	442

5. The Supreme Court has dismissed a Review Petition filed by Surya Roshni Limited and others, which sought clarity on its



judgment dated 28th February, 2019, on restructuring of wages for deducting Employees' Provident Fund Contribution. With the review petition being dismissed, there is ambiguity amongst employers on whether the Supreme Court Order should be implemented from past years as the case was ongoing for 10 years in various Courts.

However, according to the proposed amendments to EPF Act, 1952, a limitation period of five years is proposed. In the definition of wages, various other allowance in the form of House Rent, Leave Travel, Overtime, etc., are proposed to be capped at 50% of wages.

6. The Calcutta High Court in the first week of September, 2019, quashed the Orders of District Judge, Jalpaiguri of prosecution of Directors of Malhati Tea & Industries Limited for not depositing the contribution of Employees' Provident Fund. The High Court stated that the term 'employer' in the Indian Penal Code did not include the Director of a company. It is the company, which is the employer and not its Directors, either singly or collectively. Continuance of criminal proceedings against the Directors would be an abuse of process of the Court.

7. A worker on fixed term contract might be soon eligible for gratuity even before completing 5 years of service, if the Government's proposal for the same in the proposed Code on Social Security, 2019, is accepted. Currently a worker is not entitled to gratuity before completing five years tenure.

LEGAL & TAXATION

1. As per Notification dated 24th September, 2019, the Ministry of Finance, Central Board of Indirect Taxes & Customs, have brought into force Rules pertaining to single disbursement of GST refund claims.



2. The GST Council in its meeting held on 20th September, 2019, recommended the following law and procedure related changes :-

- * Extension of last date for filing appeals against orders of Appellate Authorities, as Appellate Tribunals are yet not functional.
- * Introduction of a new Return system from April, 2020.
- * A uniform GST rate of 12% on polypropylene / polypropylene woven and non-woven bags and sacks, whether or not laminated of a kind used for packing of goods (present rates 5%/12%/18%).

3. The Income Tax Department has extended period for filing of Tax Audit Report and Income Tax Returns for Assessment Year 2019-20 upto 31st October, 2019.

4. The Commercial Tax Department of the State has increased rates of VAT on petrol and diesel by 5% as per Notification dated 19th September, 2019.

5. The Delhi High Court in the matter of Hassad Food Company v/s Reliance Asset Reconstruction Company has stated that the Debt Recovery Appellate Tribunal (DRAT) has no discretion to waive the pre-deposit condition in the Recovery of Debts & Bankruptcy Act or in the Securitization (Sarfaesi) Act. Both the laws make it mandatory for a person, who appeals to deposit 50% of the amount of debt due.

6. The Supreme Court has reiterated that a claim for payment under the Insolvency & Bankruptcy Code should be made within 3 years of it becoming due. It set aside the rulings of National Company Law

Tribunal and the Appellate Tribunal in the matter of Vashdeo Bhojwani v/s Abhyudaya Co-operative Bank Limited, in which the Tribunal maintained that the debt is continuing liability and it could not be time barred. The Supreme Court ruled that Limitation Act applied to IPC proceedings.

7. A Division Bench of Madras High Court on 20th September, 2019, held that the conditions related to constitution of Goods & Services Tax Appellate Tribunal as unconstitutional. According to Section 109 of Chapter XVIII of the CGST Act, 2017, the Tribunal has to have two Technical Members – one from the Centre and one from the State – and one Judicial Member in every Tribunal. The Bench comprising Justice S. Mani Kumar and Justice Subramonium Prasad observed that there should be primacy for Judicial Members and Technical Members cannot exceed the number of Judicial Members.

EXPORT & IMPORT

1. The exports of cotton textiles continued downward spiral declining by 24.67% during April-August, 2019. The item-wise analysis shows that while garment and made-ups exports have shown a positive growth, exports of cotton yarn/fabrics are showing a declining trend. Monthly exports of cotton yarn are at a five year low of 59-60 million kgs. Exports to major markets like China have declined by 64.45%, Bangladesh by 40.99% and South Korea by 36.62%.



2. Dr. K. V. Srinivasan, Chairman, TEXPROCIL, has appealed to the Government to cover exports of cotton yarn and fabric in the RoSCTL. This measure has not only ensured that taxes are not exported by the garment and made-ups sector, but also enabled them to regain competitiveness. Such taxes are in the range of 6-7% of the value and will go a long way in mitigating the serious situation in the spinning and weaving sector.

3. Shri Sanjay Jain, outgoing Chairman of CITI has observed that post GST, there is a substantial increase in import of MMF Yarn and apparel at 83% and 84% respectively. The main reason being the removal of CVD post GST, which overnight made imports 12%+ cheaper. Although Government has increased import duty on fabrics and garments, but the garment import could not be controlled due to FTAs.

4. The NITMA has called upon the Finance, Textile and Commerce Ministries to increase basic custom duty on polyester yarn from the current 5% to 10% to curb the unfettered imports of polyester yarn from Indonesia and Vietnam.

5. In a meeting with Commerce and Industries Ministry, textile manufacturers and exporters on 19th September, 2019 reiterated caution against opening up the domestic market for China under the proposed Regional Comprehensive Economic Partnership (RCEP) Agreement. Half of India's textile and clothing trade in RCEP is with China, with which it had a big trade deficit of almost \$ One billion in 2018.

6. A study released by FICCI on 26th September, 2019 – "Invisible Enemy-Impact of Smuggling on Indian Economy & Employment" states that prevention of smuggling in five key industries – Textiles, Readymade Garments, Cigarettes, Machinery & Parts and Consumer Electronics can increase employment in India by upto

16.36 lakh jobs. This is because of backward linkage and multiplier effects of these industries.

7. Union Finance Minister, Mrs. Nirmala Sitharaman, during a Press Conference on 14th September, 2019, has declared that existing dispensation in textiles of MEIS plus old RoSL will continue upto 31st December, 2019 and the textile sector, which currently enjoy incentives upto 2% over MEIS will transit into Remission of Duties or Taxes on Export Product (RoDTEP) with effect from 1st January, 2020. The Export Credit Guarantee Corporation (ECGC) will offer higher insurance cover to banks lending working capital for exports.

8. From 16th September, 2019, Zonal Office of DGFT, Bhopal, has been shifted to Indore.

STATE OF THE INDUSTRY

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



Items	For the Month		Cumulative		% Growth	
	July 2018	July 2019	Apl-Jul 2018-19	Apl-Jul 2019-20	July 2019	Apl-Jul 2019-20
Textiles	120.1	114.7	118.1	117.2	(-)4.5	(-)0.8
Wearing Apparel	145.4	167.2	143.3	164.1	15.0	14.7

2. As per information available from the Office of Textile Commissioner, the estimated production of man-made fibre, filament yarn, spun yarn and cloth during the period April-July, 2019-20 as compared to April-July, 2018-19 have been as under :-

Figures in Million

Product	Unit	Apl-Jul 2018-19	Apl-Jul 2019-20	% Growth
MM Fibre	Kgs.	476	499	4.8
MM Fil.Yarn	Kgs.	375	407	8.6
Spun Yarn:				
Cotton	Kgs.	1,403	1,455	3.7
Blended/NC	Kgs.	551	609	10.5
Total	Kgs.	1,954	2,064	5.6
Cloth:				
Mill Sector	Sq.Mtrs.	701	640	(-)8.8
Decentralized	Sq.Mtrs.	22,254	24,390	9.6
Total	Sq.Mtrs.	22,955	25,030	9.0

3. Addressing Seminar on "Strategic Discussion on Current Scenario of Textiles & Clothing Industry – A Way Forward" organized by Confederation of Indian Textile Industry (CITI) at its 61st Annual General Meeting, Shri Prem Malik, Past Chairman, said "All is not gloom in the industry. But if the Indian Textile Industry intends to rise to an esteemed level, it first needs to acknowledge the mistakes of its past and then rectify the issues and inefficiencies that plague us once for all. If Bangladesh by importing raw material can still sell garments cheaper than we can, means that it is high time to look within and introspect". According to him, value engineering needs to be focused upon to make Indian textile units more competitive and cost effective. The need of the hour is to bring in a professional attitude to this primarily owner driven industry. We

should not all the time be talking about subsidies and incentives to prosper. But certain things are led by the Government, that they do not allow us to export taxes.

Shri S. K. Khandelias, newly elected Vice Chairman of the CITI said "We have never factored in any Central or State incentive, while undertaking a project feasibility report. We always treat it as a bonus. This is because, firstly the Government can change anything at any time without prior notice. Secondly, it is my firm belief that any company or entrepreneur, who has big aspirations should not depend on the Government for their support. They need to have belief in their own ability and will to succeed".

4. Shri T. Rajkumar, newly elected Chairman of CITI applauded the major announcement made by the Hon'ble Finance Minister slashing the Corporate Tax on existing companies to 22% and new companies to 15%. These steps will help boost the investment and create employment opportunities in the Country.

5. A meeting on "Strategic Branding of Indian Textiles" was held under the Chairmanship of Shri Ravi Capoor, Secretary, Ministry of Textiles, whereat emphasis was laid on the need to create a brand for Indian textile through the India Brand Equity Fund covering all areas including standards, compliances, etc.

6. Addressing at the 8th Technotex India Exhibition organized by FICCI, Shri Ravi Capoor, said technical textile is the sunrise sector of the Indian textile industry. The entrepreneurs in this sector have the capability to make India one of the leading countries, which can be at the forefront. He informed that during 2018-19, there was a net decrease in the gap of exports and imports of technical textiles, which reflect the impact of standardization of 207 HSN Codes.

7. According to a report by India Ratings & Research (Ind-Ra), the yarn production is likely to decline by 5-8% year-on-year during 2019-20 owing to lower demand from China and volatility in cotton prices. With the muted demand for yarn from China and Pakistan enjoying duty free exports to China, Indian yarn manufacturers are suffering idle capacities and production losses.

8. Speaking at the 61st Annual General Meeting of CITI, Shri Sanjay Jain, outgoing Chairman, called upon the Government to provide healthy textile companies with a one to two year moratorium of interest payment without any extra provisioning norms, which will lead to availability of short term funding to the textile sector.

9. On 9th September, 2019, the Southern India Mills' Association elected Shri Ashwin Chandran, as Chairman, Shri Ravi Sam as Deputy Chairman and Shri S. K. Sundararaman as Vice Chairman for the year 2019-20.

10. On 16th September, 2019, Confederation of Indian Textile Industry, elected Shri T. Rajkumar as Chairman, Shri D. L. Sharma as Deputy Chairman and Shri S. K. Khandelias as Vice Chairman.

11. Shri Maloy Chandan Chakraborty, IAS, joined as Textile Commissioner, Government of India, Mumbai.