



## ASSOCIATION NEWS

1. Although the Madhya Pradesh Electricity Regulatory Commission (MPERC) while revising the electricity tariff for 2019-20 claimed that in respect of non-domestic connections, the hike is 4.90% only. But actually the increase in power rates after revision, which has been made effective from 17th August, 2019, is around 7%. The Association, therefore, made a representation to the Hon'ble Chief Minister on 10th August, 2019 to offer power subsidy to the existing textile mills at par with the same being provided by the Governments of Maharashtra, Telangana, Andhra Pradesh, etc., to prevent the closure of Mills in the State and to maintain employment. These States have been providing subsidy of Rs.2 to Rs.3 per unit to the Textile Mills in their States. The increased rates of electricity and the other factors like costly raw material due to lower production of cotton, reduced exports of cotton yarn, duty free import of apparel from Bangladesh, higher minimum wages, etc., have forced the Mills to shut down for 6-8 days a month, whereas earlier these were working 24x7. The cut down in production has seriously affected employment too.

2. The Department of Industrial Policy & Investment Promotion of the State issued an Order on 6th August, 2019 detailing the procedure and the formats for refund of taxes after implementation of Goods & Services Tax from 1st July, 2017. According to Clause 10 of this Order, as per the prescribed conditions, probably no unit will be eligible to get the refunds. We have, therefore, made a Representation on 14th August, 2019, to the Principal Secretary of the Department pointing out the shortcomings in the order. We have requested the State Government to delete Clause 10 of the aforesaid Order and make available refund of taxes as requested in our earlier Representation dated 25th July, 2018, which was with reference to the Department's Notification dated 22nd June, 2018.

3. Maral Overseas Limited has been selected for National Safety Award for the Performance Year 2017 by the Directorate General Factory Advice Service and Labour Institute, Government of India, Faridabad.

Our Congratulations.

4. Pratibha Syntex Limited has been awarded "Woolworths Supplier Excellence Award" for Supplier of the Year Sustainability, 2019, during Annual FBH Suppliers Conference.

Our Congratulations.

## RAW MATERIAL

1. The International Cotton Advisory Committee (ICAC) in its release of 2nd August, 2019, has projected global cotton consumption in 2019-20 to increase by 1.7% to 26.9 million tons. The global cotton production is expected to increase by 6% to 27.2 million tons. As a result, the global closing stocks should swell to 18.0 million tons. The cotton prices have been suffering from negative news since August, 2018, when the season's highest price was 99.5 Cents/lb., declining to 74.0 Cents/lb. in July, 2019.

2. The Cotton Association of India (CAI) in its last estimate of cotton crop for the season 2018-19 has retained the cotton production at 312.00 lakh bales. The domestic consumption has been estimated at 315.00 lakh bales and the exports at 46.00 lakh bales. The Association has estimated cotton imports at 31.00 lakh bales leaving a closing stock of 15.00 lakh bales at the end of September, 2019.

However, as per Cotton Corporation of India, 324.27 lakh bales have been received till 28th August, 2019.

3. With the ongoing trade war between China and US, cotton prices have dropped by more than 32% in the international market over last one year. The crash in prices in the global market has also been reflected in the domestic market, with the Indian futures market recording a 16% fall in cotton prices. US is the World's biggest cotton exporter to China and the ongoing trade tussle has hit hard the cotton market across the World including India, which is the World's largest cotton producer. Sector analysts are apprehensive that cotton prices in India may crash further and chances of recovery are low.

4. As per reports, the cotton output in India could increase by 20-25% in cotton season 2019-20 over the last year's level. This may be because of revival in monsoon rains, higher acreage and better plant protection. According to Shri A.H. Prakash, Project



Coordinator (Cotton Improvement), Central Institute of Cotton Research, Nagpur, an output of about 400 lakh bales could be expected. The area under cotton is estimated at 121.6 lakh hectares as on 16th August, 2019.

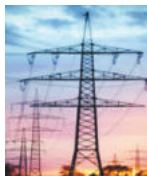


## POWER

1. The Madhya Pradesh Electricity Regulatory Commission passed an Order on 8th August, 2019 determining the tariff for various categories of electricity consumers, which have been made effective from 17th August, 2019 and shall be valid for Financial Year 2019-20. The tariff for Textile Industry (HV-3.1) for 2019-20 as compared to the tariff of 2018-19 are as under:-

	2018-19		2019-20	
Fixed Charges	Rs./KVA of Billing Demand/p.m.		Rs./KVA of Billing Demand/p.m.	
11 KV Supply	330.00		340.00	
33 KV Supply	510.00		560.00	
132 KV Supply	610.00		650.00	
220/400 KV Sup.	620.00		650.00	
Energy Charges (Rs./Unit)	Upto 50% LF	Above 50% LF	Upto 50% LF	Above 50% LF
11 KV Supply	6.60	6.00	7.00	6.00
33 KV Supply	6.50	5.50	6.90	5.90
132 KV Supply	6.05	5.25	6.50	5.50
220/400 KV Sup.	5.65	5.00	6.10	5.10

The other terms and conditions have remained almost the same except for the Rebate for Incremental Monthly Consumption with reference to consumption of 2015-16, which has been raised to Re.1 per unit.



This revision of tariff has increased the power cost in the textile industry by about 7%.

2. As per Energy Department Notification dated 23rd July, 2019, Nahar Spinning Mills, Mandideep, has been exempted from payment of Electricity Duty on its existing high tension connection for a period of 10 years starting from 26th April, 2019.

3. Shri Sashi Bhushan Pathak, a retired Judge, has been appointed as Member (Legal) in the MPERC.

4. As per reports, the State Government is planning to merge the three DISCOMs into one Company. Electrisite D.France Company has proposed that there should be only one controlling authority for power distribution in the State with its Head Office at Bhopal. However, the IAS lobby is stated to be against this proposal.

5. According to Shri R. K. Singh, Union Power Minister, State Power DISCOMs will have to handover electricity supply business to multiple licensees or franchisees to get Central Government assistance or loans from Power Finance Corporation. This will give consumers the option of choosing from multiple electricity service providers, like mobile number portability.

6. Under the Electricity Act, criminal proceedings for theft of power can go simultaneously with civil proceedings for recovery of loss due to unauthorized use of energy. This was held by Supreme Court

in its judgment in the matter of West Bengal State Electricity Distribution Co. Ltd. v/s Orion Metal Ltd. In this case, tampering of meter was found. The DISCOM invoked Section 126(1) for provisional assessment and also filed a criminal complaint with police under Section 135.

## MAN POWER

1. The Labour Commissioner, Indore, has notified increase in Variable Dearness Allowance payable to Textile Mill Employees covered by Sethi Award for the period July-September, 2019. The Variable Dearness Allowance for Indore Centre has increased by Rs.158.77 p.m. and for the Bhopal Centre by Rs.167.37 p.m.

2. The Ministry of Labour & Employment (MoL&E) has notified on 8th August, 2019, Code on Wages, 2019, which has subsumed the Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965 and Equal Remuneration Act, 1976 in it. The date of applicability of various sections of the Code is yet to be notified.

3. The MoL&E proposes to amend Employees' Provident Funds & Miscellaneous Provisions Act, 1952. A copy of the preliminary Draft of the Amendment Bill along with a Brief Note has been put on its website on 23rd August, 2019, inviting suggestions / comments / inputs latest by 22nd September, 2019. The main proposed amendments include – rate of contribution for certain class of workers may go down; option to choose between Employees' Pension Scheme and National Pension Scheme; limitation of five years for inspection of records; Inspectors to conclude their enquiries within two years; increase of penalties in certain cases, etc.

4. In the matter of Provident Fund Commissioner v/s Uttar Pradesh State Warehousing Corporation, the Allahabad High Court had ruled that workers engaged in loading and unloading were not 'employees' as defined in Industrial Disputes Act and, therefore, the Corporation was not liable to pay statutory contribution in relation to such workers under the Employees' Provident Fund & Miscellaneous Provisions Act. The argument of the Corporation was that the job of loading and unloading was done through a contractor and there was no employer-employee relationship. The Supreme Court on appeal pointed out that the definition of employee under the Industrial Disputes Act and the Employees' Provident Fund Act are different and have different purposes. The Supreme Court, therefore, asked the High Court to reconsider the case and correct the legal perspective and apply the Provident Fund Law.



5. An employer cannot dispute his liability to pay wages because of the sickness of the unit or pendency of a BIFR Rehabilitation Scheme. The Allahabad High Court in its judgment in the matter of Modi Rubber Ltd. v/s State stated that the relationship between master and servant continues until employee is retrenched or terminated. Therefore, the order of Labour Commissioner for recovery of wages in favour of workers stands valid.

6. In the matter of Duncan Industries v/s State of UP, Allahabad High Court has ruled that supervisors are not workmen under labour laws. In 1978, the State Government raised the retirement age of





workmen to 60 years. The supervisory staff protested their exclusion arguing that they are workmen, which was accepted by the State Government. The matter travelled to different Courts for four years and ended with this judgment of the High Court.

## LEGAL & TAXATION

1. The Central Board of Indirect Taxes & Customs vide Notification dated 26th August, 2019, extended the last date for furnishing of Annual Return in Form No. GSTR-9/GSTR-9A and Reconciliation Statement in Form GSTR-9C for the financial year 2017-18 to 30th November, 2019.



2. By Notification dated 20th August, 2019, the Government has extended the date from which the facility of blocking and unblocking of E-Way Bill facility as per provisions of Rule 138 E of CGST Rules shall be brought into force to 21st November, 2019.

3. The Supreme Court has upheld the judgment of Delhi High Court in the matter of Commissioner of Income Tax v/s Maruti Suzuki India. The High Court had agreed with the decision of the Income Tax Appellate Tribunal, wherein it held that the assessment made in the name of Suzuki Powertrain India was a nullity since it had been amalgamated into Maruti Suzuki India and was not in existence. The Supreme Court dismissed the appeal of Commissioner of Income Tax. It observed "Despite the fact that the Assessing Officer was informed of the amalgamating company having ceased to exist as a result of the approved scheme of amalgamation, the notice was issued only in its name. The basis on which jurisdiction was evoked was fundamentally at odds with the legal principle that the amalgamating entity ceases to exist upon the approved scheme of amalgamation".

4. In the case of Shree Dhaneswari Traders v/s Sanjay Jain, the accused was not able to rebut the statutory presumption that the cheque received was for the discharge of a debt or other liability and as such the Trial Court and Bombay High Court rejected the complaint in respect of dishonour of cheque. Setting aside the High Court judgment, the Supreme Court reiterated that once a cheque is issued by the drawer, there is a presumption under Section 139 of the Negotiable Instruments Act in favour of the holder. It is presumed that the cheque received was for discharge of a debt or other liability.

## EXPORT & IMPORT

1. Despite the fact that India has advantages in cotton and labour supplies, its share of the global clothing exports is a meagre 4% compared to China's 36%, Bangladesh's 6.5% and Vietnam's 5.5%. The three main reasons for the lower exports are poor infrastructure, high lending rates and archaic tax laws. The textile mills in India also face power issues like use of secondary power sources and high energy rates, which lead to quality issues and impact the ability for facilities to scale up.



2. The exports of cotton yarn from India in the first quarter of April-June, 2019, have fallen by a steep 33% from 338 million kgs. for the period April-June, 2018 to 226 million kgs. in April-June, 2019. Month-on-month decline from 90 million kgs. in April, 2019 to 77 million kgs. in May and to 59 million kgs. in June, 2019 is a matter of

deep concern. Actually the level of 59 million kgs. is the lowest in last five years. This steep fall has been caused by a variety of reasons including decline in exports to China, Bangladesh, South Korea and duty free access given by the Chinese Government for import of cotton yarn by China from countries like Pakistan and Vietnam from 1st April, 2019.

3. According to Shri Sanjay Jain, Chairman, Confederation of Indian Textile Industry, the drop in cotton yarn exports by 50% in June, 2019 has forced about 15-25% drop in working mills and some mills have been fully closed down. In April-July, 2019-20, export of cotton yarn and fabric declined by 10.5% to US\$ 3.3 billion, while exports of man-made yarn and fabrics fell by 3.8% to US\$ 1.55 billion. Estimates made by CITI show that cotton yarn and fabrics have not been refunded taxes worth 5-6% of the value and our products are losing their export competitiveness to immediate competitors like China, Vietnam, Indonesia, Sri Lanka and Bangladesh.

4. Cotton yarn produced in India was once the cheapest in the World, is now amongst the most expensive due to 28% rise in Minimum Support Price(MSP) of raw cotton by the Government and duties and taxes not being refunded. Requests have been made to the Textile Ministry to compensate the farmers by Direct Benefit Transfer, whenever, the market prices of cotton fall below the MSP. It has also been requested to include total textile value chain in the scheme of Refund of State and Central Taxes & Levies.

5. According to Shri Ronak Rughani, Chairman, Synthetic & Rayon Textiles Export Promotion Council, the share of MMF has been steadily increasing due to cutting-edge technology, its durability and sustainability concerns and its exports have grown to contribute 16% of the total textiles and clothing exports from India in 2018-19. MMF Industry is contributing 2% to India's GDP and providing jobs to over 18 million people directly and more than 20 million indirectly. India produces 1441 million kgs. of MMF and over 3000 million kgs of Man-Made Filaments annually and is second largest producer of polyester and viscose in the World.

6. In the export market, knitted fabrics have shown a good improvement with a growth of 28.37% in 2018-19 to US\$ 440.21million over the corresponding period. Sri Lanka is the leading export market for knitted fabric. The exports to Sri Lanka totaled to US\$ 173.66 million with a growth of 25.66%. Exports to USA, Bangladesh and Ethiopia too have shown growth of 39.72%, 33.09% and 79.62% respectively in 2018-19.

7. Considering the large scale investment in the textile sector and sluggish demand in the domestic market, exports are the only avenue to ensure uninterrupted production and capacity utilization. A five point agenda should be urgently drawn to meet the decline in exports:-

- \* Devise means to grow India's trade to benefit from the trade diversion currently arising from the escalation in trade/tariff disputes between China and USA.
- \* Address the issue of preferential tariffs given by China to India's competitors like Pakistan, Indonesia and Vietnam by developing ways and means to gain special access.
- \* Find ways to compensate transaction costs of 8-10% borne by exporters on account of high logistics costs and infrastructural disabilities.
- \* Continue MEIS at enhanced rates for made-ups and enhance the rates for fabrics and also extend these to cotton yarn.

\* RoSCTL benefits should cover the entire textile value chain including cotton yarn and fabrics along-with including of cotton yarn under 3% Interest Equalization Scheme.

8. After the Prime Minister's Office took stock of the Rebate of State and Central Taxes & Levies Scheme, an Inter-Ministerial Committee of Secretaries has been set up to look at the new export incentive scheme, especially for the yarn and fabric sector, in the wake of 35% decline in cotton yarn exports in the first quarter of 2019-20. The exports of cotton yarn and fabrics declined by 9.98% and 10.54% respectively in July, 2019. Moreover, the Finance and Commerce Ministries are sparring over the phasing out of MEIS and introduction of new scheme compliant with WTO norms.

## STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) data for the month of June, 2019 was released on 9th August, 2019 and are as under :-

Items	For the Month		Cumulative		% Growth	
	June 2018	June 2019	Apl-Jun 2018-19	Apl-Jun 2019-20	June 2019	Apl-Jun 2019-20
Textiles	117.1	112.5	117.4	117.5	(- )3.9	0.1
Wearing Apparel	151.6	161.7	142.6	163.6	6.7	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-June, 2019-20 as compared to April-June, 2018-19 have been as under :-



Figures in Million

Product	Unit	Apl-June 2018-19	Apl-June 2019-20	% Growth
MM Fibre	Kgs.	358	373	4.2
MM Fil.Yarn	Kgs.	281	302	7.5
<b>Spun Yarn:</b>				
Cotton	Kgs.	1,047	1,113	6.3
Blended/NC	Kgs.	405	478	18.1
<b>Total</b>	<b>Kgs.</b>	<b>1,452</b>	<b>1,591</b>	<b>9.6</b>
<b>Cloth:</b>				
Mill Sector	Sq.Mtrs.	534	480	(-)10.1
Decentralized	Sq.Mtrs.	16,787	18,822	12.1
<b>Total</b>	<b>Sq.Mtrs.</b>	<b>17,321</b>	<b>19,302</b>	<b>11.4</b>

It will be observed that the cloth production in the Mill sector is continuously decreasing. However, it is compensated by increased production in the decentralized sector.

3. Shri B. K. Goenka, President, ASSOCHAM and Chairman, Welspun Group made a presentation before the Finance Minister, Mrs. Nirmala Sitharaman and stated that sectors like textiles and garments are suffering due to constant review and frequent changes in tax refunds/incentive schemes. He said an investment of Rs.One crore in garment sector can create seventy two new jobs. The investment-employment ratio in the textile sector is among the highest.

4. Shri P. K. Kataria, Additional Secretary, Ministry of Textiles addressing the Indian Exhibitors of Textiles at the invitation of

SRTEPC said, India's per capita man-made fibre consumption is 3 kgs, whereas in China it is 11 kgs., and globally 6 kgs., which gives huge scope for India to focus on the growth and consumption of MMF in textile value chain.

5. As per ICRA report, the performance of domestic cotton spinners is likely to weaken in 2019-20, following a brief recovery in 2018-19, as they are grappling with twin challenges of weak export demand and uncompetitive cotton prices. The impact is likely to be more on the companies, which have sizeable debt funded capital expansion in recent years and have higher repayment schedule. With the expectations of a better cotton crop in the next season, cotton fibre prices are likely to correct to a level lower than the average prices observed during the current harvest season.

6. The FICCI Textile Committee met Minister of Textiles 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. The FICCI delegation made the following suggestions:

- \* Further identification of HSN Codes in addition to 207 Codes identified for the Technical Textile items.
- \* Provide a phased manufacturing programme for the sector, which will give clarity to the investors.
- \* Promote manufacturing hubs for conversion of technical textiles to finished products with common R&D facilities.
- \* Provide preference for domestically manufactured goods with minimum local content requirement in Government procurement.
- \* Continue to hasten the process of standardization with support of BIS in the areas of health, hygiene, environment, security, etc. and mandate use of these products.
- \* Provide requisite infrastructure and eco system for testing, research and development.
- \* Encourage investment including FDI in this sector through specific incentives.

7. Sixteen States have signed pacts with the Ministry of Textiles to partner with it for skilling about four lakh workers as part of the 'Samarth' Scheme on 14th August, 2019. Jammu & Kashmir and Odisha had earlier agreed to be on board. With exception of spinning and weaving, the beneficiaries will be provided training in the entire value chain such as apparel and garments, knitwear, etc.

8. The Chief Economic Advisor, Shri K. Subramanian, speaking on 21st August, 2019, called for a "Mindset Change" in the private sector by desisting from the tendency to grab profit and socialize losses and seek sops from the Government in the time of stress.

9. Shri Ravi Capoor, assumed charge as Secretary, Ministry of Textiles, Government of India, New Delhi.