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M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION

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Association News

1. Presently Viscose Spun Yarn (VSY) manufacturing textile mills are in deep existential crisis because of imports of this yarn in large quantities from China at prices, which are significantly lower than our domestic cost of production. In the current situation, we have made a Representation on 13th August, 2020, to the Hon'ble Minister of Textiles and also Hon'ble Minister of Commerce & Industry to provide suitable protection to the industry on the following grounds:-

- Till 2018-19 average imports of VSY was 1750 tons per month, which has increased to 4860 tons per month in 2019-20.
- Post lockdown industry is grappling with demand revival, liquidity trap and onslaught of cheap imports.
- India has become a dumping ground for yarn exports from Indonesia and China.
- China is exploiting Indian market due to resistance faced by it in western markets.

We have requested the Government to raise import duty on VSY from 5% to 15% / impose Anti-Dumping Duty (BCD) and/or put quantity restrictions on VSY imports to maintain the cascading duty structure as import duty on fabric is upto 20%.

We have also requested the Hon'ble Chief Minister of the State to forward our Representation with his recommendations to the Central Ministers.

2. A number of our Member Mills have invested large amounts in expansion/modernization of their existing manufacturing facilities. These mills have so far not received Interest Subsidy and Capital Subsidy (under Industrial Promotion Policy) from the State for the financial year 2018-19. The mills are having negative cash-flow on account of various factors and effects of Covid-19. We have requested the Principal Secretary, Department of Industrial Policy & Investment Promotion on 20th August, 2020 for early release of the amount due to the mills.

3. The High Court of Madras in the matter of South India Spinners Association v/s CMD, Tamil Nadu Generation & Distribution Corporation Ltd., and Others have passed an Order giving following relief to the HT consumers in Tamil Nadu:-

- Bills for lockdown period have to be either 20% of sanctioned demand or to the extent of actual recorded demand.
- DISCOMs will not levy penal charges for low power factor.
- Excess collection, if any, will be refunded or adjusted by DISCOMs in future bills.

We have forwarded a copy of this judgment to the Principal Secretary, Energy Department and the Managing Director, M.P. Power Management Co. Ltd. on 20th August, 2020 and requested for a similar relief in our State too. We have been pursuing this matter with the State Government Authorities since April, 2020.

Raw Material

1. The International Cotton Advisory Committee (ICAC) in its release of 17th August, 2020, estimated World cotton production for 2019-20 and 2020-21 at 26.15 million tons and 24.77 million tons respectively. The position of World cotton supply and demand has been projected as under:-

Quantity in Million Tons

	2018-19	2019-20	2020-21
Beginning Stock	18.82	18.76	21.96
Production	25.72	26.15	24.77
Total Supply	**44.54**	**44.91**	**46.73**
Consumption	26.01	22.95	23.85
Exports	9.04	8.65	9.07
Ending Stock	**18.53**	**21.96**	**22.88**

The average price for 2019-20 has been estimated at USC 71.33/lb. Average to date price for season 2020-21 is USC 69.68/lb.

2. The Ministry of Textiles vide its Resolution dated 3rd August, 2020, has abolished Cotton Advisory Board and the official cotton production estimates are not available for the cotton season 2019-20 and 2020-21.

3. The Cotton Association of India (CAI) in its release of 17th August, 2020 has estimated cotton crop for 2019-20 at 354.50 lakh bales. A statement showing State-wise cotton crop for the season 2019-20 and 2018-19 is given below:-

Lakh Bales of 170 kg. each

State	Production		Arrivals till 31.07.2020
	2019-20	2018-19	
Punjab	9.50	8.50	9.25
Haryana	25.50	23.00	24.00
Rajasthan	28.00	28.00	27.00
Gujarat	92.50	88.00	89.00
Maharashtra	84.50	70.00	83.40
MadhyaPradesh	17.50	22.63	17.00
Telangana	51.00	35.20	51.00
Andhra Pradesh	15.25	11.85	15.00
Karnataka	21.00	15.50	20.50
Tamil Nadu	5.00	5.00	4.50
Odisha	3.75	3.32	3.75
Others	1.00	1.00	1.00
Total	**354.50**	**312.00**	**345.40**

The Association has estimated imports of 16.00 lakh bales in 2019-20 as against 32.00 lakh bales in the previous season. It has reduced the mill consumption for season 2019-20 to 218.00 lakh bales as against 274.50 lakh bales in the previous season. The exports have been projected at 50.00 lakh bales in the current season as against 42.00 lakh bales during the last season. There is a tremendous increase in the closing stocks estimated at the end of the season (30th September, 2020), which is projected at 102.00 bales as against 23.50 lakh bales at the close of last season. The reduction in mill consumption and increase of closing stock may be due to disruptions caused on account of lockdown for Covid-19 and shortage of labour, etc. after lifting of lockdown.

4. The Chairman & Managing Director of Cotton Corporation of India (CCI) has stated that the overall demand of cotton, which looked dull till June, 2020 is gradually improving. The easing of lockdown and return of migrant labour are helping the mills to re-start operations. The Corporation is also pushing up for exports to major consuming countries such as Bangladesh and Vietnam. Bangladesh needs about 90.00 lakh bales (of 356 kg. each) per year of which 30.00 lakh bales are supplied by India. CCI has heavily rationalized the sale price of cotton to bring them at par with the market to push up sales.

5. As per reports, till the end of 3rd week of July, 2020, cotton sowing was in 113.01 lakh hectares as against 96.36 lakh hectares during the corresponding period of last year showing an increase of 17.28%. The report also suggests that if favorable, climatic conditions continue, a record cotton crop is expected in coming season.

6. Under the Cotton Collaborative Project being implemented in Madhya Pradesh. The area under cotton in Dhar and Jhabua Districts is reported to have increased marginally, while in Ratlam District a small reduction in area is reported.

7. Speaking at a Webinar organized by Centre for Sustainable Agriculture, Shri Keshav Kranthi (who is presently with ICAC) said that BT hybridtechnology have not been providing any tangible benefits to the cotton farmers. BT cotton helped in reduction of insecticides use, but its use went up as pink boll worm developed resistance to the technology. Cotton yields are lowest in the World in Maharashtra despite being saturated with BT hybrid seeds and highest use of fertilizers. Cotton yields ranked 36th in the World and have been stagnant in last 15 years.India can now look back at the Desi cotton varieties.

8. As per reports, the Viscose Staple Fibre of Grasim Industries Limited switched focus to exports markets in June, 2020 quarter and it dedicated few production lines to export demand of specialty products.

9. Textile Exchange has released Organic Cotton Market Report-2020 covering production, trends and other initiatives for 2018-19 harvest year. During this season, India produced 1,22,668 tons of organic cotton, which is about 44% of global production of 2,39,787 tons. Madhya Pradesh, which was largest contributor to India's organic cotton production till 2016-17 has come to 4th position now with production of 23,676 tons. Odisha stands first with production of 34,990 tons, Gujarat 2nd with 28,556 tons and Maharashtra 3rd with 27,944 tons of organic cotton production.

MAN POWER

1. The State Government has constituted Madhya Pradesh State Migrant Workers Commission on 4th August, 2020. The basic object of this Commission is to suggest ways and means to strengthen the social and economic conditions of migrant workers.

2. On 17th August, 2020, the State Government has issued an Ordinance making amendments to Section 2(m) of the Factories Act, 1948 and Section 1(4)(a) and (b) of the Contract Labour (Regulation & Abolition) Act, 1970, whereby both these Acts will now be applicable to establishments with 50 or more workmen.

3. The ESI Corporation at its 182nd Meeting held on 20th August, 2020 has taken a decision to relax the eligibility criteria and enhancement in the payment of relief under Atal Bimit Vyakti Kalyan Yojna. The enhanced relief will be payable during the period 24th March, 2020 to 31st December, 2020 only. The eligibility criteria for availing relief is as under:-

- Payment of relief for unemployment increased to 50% of average wages from earlier 25% up to maximum 90 days of unemployment.
- Instead of relief becoming payable 90 days after unemployment, during the period it shall become due after 30 days of unemployment.
- The insured person should have minimum two years of insurable employment and should have contributed for not less than 78 days in the contribution period immediately preceding to unemployment and 78 days in one of the remaining three contribution periods in two years prior to unemployment.

4. According to a press report in Mint, the Government is planning to change the Rules for Payment of Gratuity. Presently employees are eligible for gratuity payment after five years of working in an organization. If someone leaves the job even a month short of five years, he loses the gratuity amount, which is never deposited with any authority like EPFO. Normally at the time of working out Cost to Company for employment contracts, gratuity amount is added, but in case of short service, this amount is never paid.

5. The Centre for Monitoring Indian Economy (CMIE) estimated salaried jobs in India at 86.10 million in 2019-20, which fell to 68.40 million in April, 2020 and in July, 2020 further to 67.20 million. Within the manufacturing sector, textiles has been the biggest hit, as its wage bill fell by 29%, which implies a very sharp fall in employment in this industry.

6. Shri Umakant Umrao, IAS, has been given additional charge of Principal Secretary, Labour Department of the State.

LEGAL & TAXATION

1. The Central Board of Indirect Taxes & Customs (CBITC) has issued Instructions on 21st August, 2020 to GST Field Officers to conduct hearings in GST appeal cases via video conferencing for their expeditious disposal, while ensuring social distancing. This process will help in speeding up passing of adjudication and appellate proceedings, saving cost of travel and time.

2. The CBITC has issued on 21st August, 2020, Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 and Guidelines in respect of Rules of Origin under Trade Agreements (FTA/PTA/CPCA/CEPA) and Verification of Certificates of Origin.

3. The Ministry of Textiles is planning to commission a study to analyze whether the Goods & Services Tax (GST) on textiles and apparels is creating an inverted duty structure hurting domestic production and if some changes are required. There have been complaints from the industry about GST rates for synthetic fibres giving rise to an inverted duty structure that made imports cheaper than domestic manufacture. Consultants are to be appointed to assess GST on entire value chain. At present synthetic fibre is taxed at 18%, yarn at 12% and final output including garments at 5%.

4. In a major relief, the GST Implementation Committee has excluded businesses with upto Rs.500 crore turnover from compulsory e-invoicing of GST with effect from 1st October, 2020.

5. On 25th August, 2020, the CBITC has issued a Notification whereby interest for delay in payment of GST dues is to be charged on net cash tax liability with effect from 1st September, 2020.

6. On 13th August, 2020, the Prime Minister rolled out a new Platform for filing Income Tax Returns to ensure a transparent tax environment by eliminating physical interface between Tax Authorities and tax payers. A Transparent Taxation Platform and a Tax Payers' Charter outlining rights and obligations of taxpayers was also launched.

7. Smt. Deepali Rastogi, IAS, has been posted as Principal Secretary, Commercial Taxes Department of the State.

EXPORT & IMPORT

1. The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) has placed on its website the data relating to exports of man-made fibre textiles during 2019-20 as compared 2018-19, which are as under:-

Value in US$ Million

Segment	Unit	Qty. in Lakh		Value		% Growth
		2018-19	2019-20	2018-19	2019-20	
Fibre	Kgs.	3701.73	3907.96	570.80	503.02	-13.47
Yarn	Kgs.	9827.15	9724.57	2035.89	1769.85	-15.03
Fabrics	Kgs.	867.40	819.49			
	Sqmt.	18258.40	20299.40	1959.41	2157.84	9.20
Madeups	Kgs.	3581.05	3697.30			
	Nos.	949.30	807.10	1572.79	1469.30	-7.04
	Sqmt.	3.11	1.53			
Total				**6138.89**	**5900.01**	**-4.05**

2. As per reports, in June, 2020 basic textiles comprising fibres, spun and filament yarn shipments surged 28-39% year-on-year both in terms of US$ 504 million and INR 3770 crore accounting for about 2.3% of total merchandise exports from India during the month. On a cumulative basis exports were still down 36% in first quarter of 2020-21 as compared to first quarter of 2019-20.

3. India's export of cotton textile products to China have been down by 74% at US$ 90 million during April-June, 2020. China's share in India's total exports of cotton textile products has been just half @ 6.9% during the quarter as against 14% in corresponding quarter of last year. According to Dr. Siddhartha Rajagopal, Executive Director of Cotton Textile Export Promotion Council (TEXPROCIL), overall cotton textile exports during the first quarter of 2020-21 declined by 47% to US$ 1.29 billion as against US$ 2.42 billion in the same quarter last year. The main reason for decline was supply chain disruption, delay in documentation, especially Certificates of Origin in Counties like China, Vietnam, Thailand and Malaysia, delay at ports owing to Covid-19 protocols.

4. On 5th August, 2020, the Government has constituted a Committee in the Department of Revenue to determine ceiling rates under the Remission of Duties & Taxes on Export Products (RoDTEP) Scheme. The panel has been tasked with evolving a mechanism for calculation of duties at Central, State and Local level, which are borne by exporters, so that they can be refunded all the taxes and duties paid on goods and services used in exports, but are currently not being reimbursed under the present Scheme.

5. On 5th August, 2020, the Ministry of Textiles has made amendment to the Scheme of Rebate of State Levies (RoSL) on export of garments and made-ups, whereby in case of claim for rebate under RoSL Scheme, where the rebate is issued by DGFT in the form of Duty Credit Scrips, such rebate shall be allowed only on the basis of actual remittance realized by the exporter. If any excess payment is made due to error or miscalculation, the exporter shall be liable to refund the same within 30 days with 15% interest from the date of issue of such scrip till date of actual refund.

6. Speaking at the Invest India Exclusive Investment Forum on 6th August, 2020, the Textile Secretary said that the Government is set to launch the Focused Product Investment Scheme to attract funding in the man-made fibre segment in an effort to boost India's share in global textile market. The proposed Scheme aims to promote green field investment with new facilities and brown field investment by purchase or lease of an existing manufacturing facility.

7. Niti Aayog has submitted an estimated outlay of RoDTEP Scheme to Prime Minister's Office of Rs.10,000 crore, which is only a fifth of annual benefits of Rs.50,000 crore that the Government had envisaged. The proposal raises fears of a drastic cut in the benefits to exporters and could cast a shadow over recovery following the Covid-19 outbreak.

8. Reacting to sudden blockage of online module to apply for MEIS with effect from 23rd July, 2020, Shri Ronak Rughani, Chairman of SRTEPC said that it is a shock to the exporters and a discouraging message in difficult times of Covid-19. The discontinuation of this incentive would severely hit exports, which are already bleeding. He has requested the Government to restore MEIS benefits till the RoDTEP is activated.

As per reports, Ministry of Commerce has suggested fresh steps for export incentives under MEIS, while seeking to limit the outgo and check possible frauds. The Rs.5000 crore plan will see benefits under MEIS are capped at Rs.2 crore per exporter on exports made between September-December, 2020. There will be no change in the coverage of MEIS and the applicable rates.

9. In August, 2020, the Ministry of Textiles under vision of 'Minimum Government and Maximum Governance' decided to rationalize Textile Export Promotion Councils (TEPCs). The TEPCs have to appoint their own Secretary Generals/Executive Directors and Officers of Ministry of Textiles representing in these Councils have been withdrawn. Any expenditure from funds provided by the Government and for disposal of assets created out of Central Government assistance, the same will have to be undertaken with prior approval of the Ministry.

STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) data for the month of June, 2020 released on 11th August, 2020 is as under:

Items	For the Month		Cumulative		% Growth
	June 2019	June 2020	April-June 2019-20	April-June 2020-21	April-June 2020-21
Textiles	110.1	50.3	115.2	30.9	-73.2
Wearing Apparel	167.3	100.9	165.3	57.0	-65.5

2. On 19th August, 2020, the Ministry of Textiles has modified Operational Guidelines of Bank Guarantee Scheme under ATUFS/RRTUFS, whereby bank guarantee is to be issued by the same bank, which has sanctioned the term loan under the Scheme and also the validity of bank guarantee to be 12 months and extendable further, if necessary, without any condition of auto-renewal.

3. Under the vision of "Minimum Government and Maximum Governance', the Ministry of Textiles have abolished the following:-

- All India Power-loom Board w.e.f. 4th August, 2020.
- All India Handloom Board w.e.f. 27th July, 2020.
- All India Handicrafts Board w.e.f. 3rd August, 2020.

4. Inconsonance with the vision of 'Minimum Government and Maximum Governance', the following Textile Research Associations ceased to be affiliated bodies of the Ministry of Textiles w.e.f. 6th August, 2020 and shall be approved bodies only for conducting texting, research and development activities relating to textile sector:-

- Ahmedabad Textile Industry's Research Association.
- The Bombay Textile Research Association.
- Northern India Textile Research Association.
- The South India Textile Research Association.
- The Synthetic & Art Silk Mills Research Association.
- Man-made Textile Research Association.
- Wool Research Association.
- Indian Jute Industries Research Association.

Sale/disposal/transfer of any asset created by these Associations out of the grant of the Government will require approval of the Ministry.

5. As per report of ICRA, Indian cotton spinning sector is expected to log a 25-30% year-on-year decline in revenue and a 300-400 bps contraction in operating margins in financial year 2020-21 due to Covid-19 led disruptions in manufacturing activities and all-encompassing weaknesses in demand from the downstream segments. The risk of this sector is heightened owing to the inventory pile up being witnessed across the value chain, which may keep demand from the downstream segments subdued over the next few quarters, while keeping the working capital requirements high.

6. The Reserve Bank of India (RBI) has kept the repo rate unchanged @ 4.0% in the Monitory Policy Resolution announced in the first week of August, 2020. It has also announced a onetime restructuring of loans for all stressed MSMEs without classifying them as NPAs.

Shri Rajkumar, Chairman of Confederation of Indian Textile Industry (CITI)has pointed out that Indian Textile and Apparel Sector is highly capital and labour intensive sector and the ongoing Covid-19 crisis has badly affected this sector. Textile and apparel companies usually carry a stock of few months and unless the demand of textile products comes back, industry will not be in a position to take fresh orders. The banking sector today is hesitant to lend to textile sector due to uncertainty of cash-flow. Since textile sector MSMEs are highly dependent on large manufacturers, as such if the liquidity crisis of larger companies is not addressed soon, it will have a multiplier effect on MSMEs too.

7. The RBI has formed a five member Committee with former ICICI Bank Chief, Shri K. V. Kamath, as its Chairman to suggest the process for putting in place a framework for banks to restructure loans that had turned bad because of Covid-19 related issued.

8. The Government of Madhya Pradesh will set up a Textile Tourism Circuit in the State. In the first phase Chanderi, Maheshwar, Sarangpur and Bagh have been selected. The Government is planning to set up Textile Parks in these places, where tourists can buy directly from weavers at prices around 40% lower, as no middlemen will be involved in the process.

9. The State Government has posted Shri Manoj Govil, IAS, as Principal Secretary – Finance, Shri Vivek Porwal, IAS, as Secretary – MSME / Commissioner of Industries and Shri John Kingsley A.R., IAS, as Managing Director of MPIDC and Secretary, Industrial Policy & Investment Promotion Department.

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