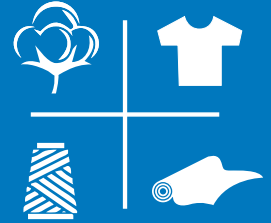


# M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF  
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION



Chairman :

**Shri Akhilesh Rathi**

Vice Chairman :

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**Shri Subhash Jain**

**Shri Siddharth Agrawal**

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## Deepawali Greetings to All Our Readers

### ASSOCIATION NEWS

1. The Confederation of Indian Textile Industry (CITI) and the Federation of Indian Chambers of Commerce & Industry (FICCI) are to submit Pre-Budget Memorandum to the Union Textile Minister. On 29th October, 2020, we have submitted following suggestions to them to be included in their Pre-Budget Memorandums:

- Entire MMF textile value chain (fibre to finished goods) to be put under 5% GST rate at par with cotton textile value chain.
- Enhance readymade garments value cap under 5% GST to Rs.2,500 from the present Rs.1,000 (RMG beyond Rs.1,000 price are taxed presently at 12%).
- Allow refund of Input Tax Credit on capital goods and services in the textile value chain.
- Reduce GST rate for the services rendered by common textile effluent treatment plants from 12% to 5% (prior to GST, this service was exempted from Service Tax).
- Extend benefit of proposed Remission of Duties & Taxes on Export Products (RoDTEP) Scheme to entire textile value chain. Presently Scheme of Refund of State Levies (RoSL) is applicable only to garments and made-ups.
- Textile industry to be classified as MNREGA employer. More than 60% of this industry is in unorganized sector and by classification under Mahatma Gandhi National Rural Employment Guarantee Act, the industry will ensure minimum 200 days of employment to rural unemployed and illiterate especially women.
- Sufficient provision for Technology Upgradation Fund Scheme to take care of old and current dues. Scheme should also be available for replacement of old spinning machinery.
- The Scheme of Direct Benefit Transfer to cotton farmers should be introduced, so that when cotton prices fall below Minimum Support Price(MSP), the downstream industry

gets raw material at market prices.

- Hank Yarn Obligation be reduced to 15%. Since the spinning capacity in the Country has increased substantially and the handloom capacity has gone down, the actual requirement of handloom sector is less than 8% of weaving yarn, the hank yarn obligation needs reduction.

2. The Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd. has issued notices to some of our Member Mills for levy of Additional Surcharge on consumption of power from the source other than Distribution Licensee. We are of the firm view that Additional Surcharge is not applicable as per Section 42(2) and 42(4) of the Electricity Act under which the DISCOM has issued demand. As per these Sections, such surcharge is not leviable incase, if open assess is provided to a person, who has established a captive generating plant for carrying out the electricity to the destination of his own. Since the mills are not receiving supply from any person other than licensee, but it is from their own captive solar generating plant and the same is not being wheeled through any network of licensee, such charges are not payable. We have, therefore, made a representation on 13th October, 2020, to the Principal Secretary, Energy Department, to advise the DISCOM to withdraw the notice.

### RAW MATERIAL

1. The International Cotton Advisory Committee (ICAC) in its release of 15th October, 2020, projected World cotton supply and demand as under:-

Quantity in Million Tons

	2018-19	2019-20	2020-21
Beginning Stock	18.73	18.69	21.69
Production	25.74	26.02	24.61
<b>Total Supply</b>	<b>44.48</b>	<b>44.71</b>	<b>46.30</b>
Consumption	25.99	22.87	24.34
Exports	9.07	8.91	9.18
Ending Stock	18.69	21.69	21.97

2. The Cotton Association of India (CAI) in its estimate of cotton crop for 2019-20 released on 17th October, 2020, has increased its production estimate to 360.00 lakh bales (as against 357.00



lakh bales estimated by Committee on Cotton Production & Consumption (CoCPC) on 21st September, 2020). The Association has estimated Mill consumption at 218.00 lakh bales, SSI consumption at 18.00 lakh bales and Non-mill use 14.00 lakh bales (total 250.00 lakh bales) as against total consumption of 261.97 lakh bales estimated by the CoCPC. The comparative Cotton Balance Sheets for the cotton season 2019-20 as prepared by CAI and CoCPC are as under :



Quantity in Lakh Bales & '000 Tons.

	CAI		CoCPC	
	Bales	Tons	Bales	Tons
Opening Stock	32.00	544.00	44.41	754.97
Crop	360.00	6120.00	357.00	6069.00
Imports	15.50	263.50	16.00	272.00
<b>Total Supply</b>	<b>407.50</b>	<b>6927.50</b>	<b>417.41</b>	<b>7095.97</b>
Mill Consumption	218.00	3706.0	228.16	3878.72
SSI Consumption	18.00	306.00	18.81	319.77
Non-Mill Consumption	14.00	238.00	15.00	255.00
Exports	50.00	850.00	50.00	850.00
<b>Total Demand</b>	<b>300.00</b>	<b>5100.00</b>	<b>311.97</b>	<b>5303.49</b>
Closing Stock	107.50	1827.50	105.44	1792.48

3. On 7th October, 2020, World Cotton Day was celebrated by the Cotton Corporation of India (CCI), Confederation of Indian Textile Industry (CITI) and Cotton Textile Export Promotion Council (TEXPROCIL) along-with Ministry of Textiles through video conferencing. Union Textile Minister, Smt. Smriti Zubin Irani launched 'Kasturi' brand for Indian cotton and Logo for Indian cotton. Now India's premium cotton would be known as 'Kasturi Cotton' in the World cotton trade. The Kasturi Cotton brand will represent Whiteness, Brightness, Softness, Purity, Luster, Uniqueness and Indianness. Speaking on the occasion, the Hon'ble Minister said 'this is a much awaited moment that today the Indian cotton has been endowed with a brand and logo. This event becomes more important as the second World Cotton Day is being celebrated World over'. The Minister said 'cotton is one of the principal commercial crops of India and it provides livelihood to about 6.00 million cotton farmers. India is second largest cotton producer and the largest consumer of cotton in the World. India produces about 6.00 million tons of cotton every year, which is about 23% of World cotton. India produces about 51% of total organic cotton production of the World, which demonstrates India's efforts towards sustainability'.

4. According to Shri P. K. Agrawal, Chairman & Managing Director of CCI, cotton exports from India are likely to rise 20-30% this year as global demand is rising particularly from China, Bangladesh, Vietnam and Indonesia. Indian cotton is the cheapest in the World compared to the US, Brazil and Australia and hence we see the trend of increased buying from Vietnam, Bangladesh, Indonesia and China. Spinning mills in these countries have started running at full capacity and retail sale of apparels is picking up. According to Shri Atul Ganatra, President of Cotton Association of India, domestic demand has also revived with most of the spinning mills running at 95% capacity.

5. Shri Ravi Capoor, Secretary, Ministry of Textiles delivering the keynote address at 62nd Annual General Meeting of Confederation of Indian Textile Industry advised the spinning

companies to enter into long term contract farming for Extra Long Staple (ELS) cotton, support the farmers to grow better ELS than PIMA or GIZA, so that the dependency on imports could be avoided. He also instructed the industry to focus on specialty cotton like organic cotton and coloured cotton. He advised the stakeholders to focus on value added MMF segment, technical textiles, etc.

6. According to Shri Mahesh Sharda, President of Indian Cotton Association (as reported in MCX Monthly Cotton Report for October, 2020), 'Indian cotton has become the cheapest in the World, as the slow domestic production has driven down the prices and demand from major importing destinations will push up the exports. Indian cotton is being offered at 60-65 Cents per lb., which is around 8-10 Cents cheaper than the closest competition crop from the US. Also the availability of premium quality cotton at a discount from domestic sellers due to low domestic consumption in the garment and medical textile sector will further push the exports to an overall high of 65 lakh bales.

7. As per reports, the price of benchmark Shanker-6 cotton variety has recovered to Rs.36,800-37,000 per Candy from Rs.31,000-32,000 per candy in April-June, 2020 following a slump in demand during lockdown. Before Covid-19 outbreak, the cotton prices were hovering around Rs.38,000-40,000 per candy.

8. The Cotton Association of India (CAI) has confirmed that at least six lakh cotton bales have been exported in October, 2020 so far, since the start of the new season, but exporters are facing problems due to lack of containers or vessels for export.

9. The Confederation of Indian Textile Industry (CITI) has appealed to the Hon'ble Prime Minister to announce Technology Mission on Cotton in a revised format with the Mission Mode approach, which has been recommended by the Union Minister of Textiles.

10. As per reports, arrival of new cotton season has improved spot markets across the State with daily supplies touching close to 20,000 bales. The moisture content in the new supplies is also normal. Most of the ginning units are getting close to 25% of raw material required. Last year during the same period, the daily arrival was over 30,000 bales. Ginners are having adequate orders to enhance the production, but the supplies have restricted the output.

11. Amid the Covid-19 crisis, the global market for polyester fibre estimated at US\$ 103.9 billion in the year 2020 is now projected to reach a level of US\$ 164.3 billion by 2027, growing at a CAGR of 6.8% over the period 2020-2027. This has been disclosed in a report 'Polyester Fibres – Global Market Trajectory & Analytics' released by Research & Markets.com. The polyester fibre market in the US is estimated at US\$ 28.1 billion in the year 2020. China, the World's second largest economy, is forecast to reach a projected market size of US\$ 35.8 billion by the year 2027 at a CAGR of 10.3%. Among the other geographical markets are Japan and Canada, which are expected to grow at 3.6 and 5.9% respectively.

12. As per Press release of the State Government, on 6th October, 2020, *Madhya Pradesh Sakal Anaj Dalhan Tilhan Vyapari Mahasangh Samiti* had a meeting with Hon'ble Chief Minister, whereat Agriculture Minister was also present. The Chief Minister informed that with the Mandi Fee being 50 paise, it is bound to help in the process of protection of the interest of farmers and traders. However, the official notification is still awaited.





## POWER

1. The Madhya Pradesh Electricity Regulatory Commission (MPERC) has approved recovery of Fuel Cost Adjustment (FCA) charges at 11 paise per unit for the billing quarter commencing from 1st October, 2020.



## MAN POWER

1. The Ministry of Labour & Employment has issued two Notifications on 27th October, 2020, making amendments to Employees' State Insurance (Central) Rules, 1950. These are:



- The maternity benefit payable under Rule 56(A) has been increased to Rs.7,500/-. This benefit will be payable only for two confinements and where medical facilities under ESI are not available.
- Rule 51(B) has been omitted, which provided for payment of Employers' contribution @ 3% and Employees' contribution @ 1% of wages for initially for two years in the areas, where the ESI Act is implemented for the first time. Now after this Notification, Employers' contribution will be payable @ 3.25% and Employees' contribution @ 0.75% of wages.

2. The Ministry of Labour & Employment has issued Draft Rules in respect of Industrial Relations Code, 2020 on 29th October, 2020 inviting objections and suggestions from various stakeholders, so as to reach the Ministry before expiry of a period of 30 days from the date of Notification.

3. All the four Labour Codes are likely to be implemented in one go from 1st April, 2021. Shri Apurva Chandra, Labour Secretary, said 'we have started work on firming up Draft Rules of the recently passed Labour Codes in Parliament. We are trying to notify Draft Rules by middle of November to seek feedback'.

The Labour Ministry has sought applications from Legal Experts that it aims to hire as Consultants on contractual basis to help Government frame Rules of Labour Codes. The experts will be responsible for codification of labour laws, framing of rules, assisting the Committee tasked with framing of rules and connected legal matters.

## LEGAL & TAXATION

1. The Government has removed restrictions on exports of all types of Masks from 6th October, 2020.

2. CGST exemption on airfreights and sea freights related to export has been extended for one year from 1st October, 2020 by notification dated 5th October, 2020.

3. The Government has extended the validity of RoSCTL Scheme by notification dated 5th October, 2020 from 31st March, 2020 to 31st March, 2021 or until such time this Scheme is merged with RoDTEP Scheme, whichever is earlier.

4. The Director General of Foreign Trade has issued a notification on 6th October, 2020 to implement the RoSL Scheme for the



pending claims. Procedure for online application has also been issued on 13th October, 2020, so that the exporters of Made-ups and Garments can start applying for Duty Credit Scrips under the Scheme.

5. The Department of Revenue has started implementing the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 from 21st September, 2020 on all imports on which preferential rates of duty are claimed in terms of trade agreements.

6. Last date of filing of GST Annual Return (GSTR-9) and Reconciliation Statement (GSTR-9C) for 2018-19 has been extended till 31st December, 2020.

7. The last date for filing Income Tax Returns and Tax Audit Reports for the financial year 2019-20 has been extended to 31st December, 2020.

8. Anti-Dumping Duty on All Fully Drawn or Fully Oriented Yarn/Spin Draw Yarn/Flat Yarn of polyester originating in or exported from China and Taiwan has been extended till 30th November, 2020.

9. In the case of SRF Limited, the company was granted Eligibility Certificate by the State of Madhya Pradesh for 100% exemption in respect of payment of Entry Tax under *Madhya Pradesh Udyog Nivesh Samvardhan Sahayata Yojna, 2004* and 2010 for a total of nine assessment years, i.e., 2004-05 to 2012-13, in the year 2017. Later on the Department took the stand in respect of limitation and denied refunds. The Division Bench of Madhya Pradesh High Court consisting of Justice S. C. Sharma and Justice Shilendra Shukla observed that the respondent Department is certainly under an obligation to abide by the Exemption Certificate and to provide exemption in letter and spirit of Eligibility Certificate. The Court held that once the exemption certification is issued, the Department cannot take advantage of technicalities, especially, when the Certificate was granted in the year 2017 with retrospective effect. The Court directed respondent authorities to confer all benefits to be petitioner in terms of exemption certificates and directed the Department to refund the recovered amount in 90 days.

## EXPORT & IMPORT

1. As per quick estimates released by Ministry of Commerce, textile exports reached a level of US\$ 2849 million in September, 2020 marking a growth of 10.99% against the corresponding month of September, 2019, wherein exports were valued at US\$ 2567 million. However, textile



exports during the period April-September, 2020 have shown a decline of 31.66% reaching a level of US\$ 11609 million over the previous year with exports of US\$ 16988 million in April-September, 2019. The details of commodity-wise exports are as under:

Value in US\$ Million

Particulars	Sept. 2019	Sept. 2020	Apr-Sep'19	Apr-Sep'20	% Change
Cotton Yarn					
Fab/Made-ups	808	932	4,992	4,020	-19.47
Man-made Yarn/fabric/made-ups	395	359	2,355	1,443	-28.72
RMG of all textiles	1,080	1,190	7,874	4,784	-39.25
Jute Mfg.	30	35	170	137	-19.45
Carpets	106	151	689	590	-14.40

Handicrafts	149	181	908	636	-29.98
Total Textiles	1,487	1,659	9,114	6,826	-25.11
Apparel	1,080	1,190	7,874	4,784	-39.25
<b>Textile &amp; Clothing</b>	<b>2,567</b>	<b>2,849</b>	<b>16,988</b>	<b>11,609</b>	<b>-31.66</b>
All Commodities	26,024	27,584	1,59,162	1,25,246	-21.31
% of T&C to total	9.9	10.3	10.7	9.3	

2. According to Dr. K. V. Srinivasan, Chairman, TEXPROCIL, India's exports of cotton yarn, fabrics, made-ups, handloom products, etc., during September, 2020 have recorded positive growth of 14.82% as compared to previous years' same month. Exports of readymade garments of all textiles also rose by 10.21% during this month. He said that looking at the current state of export trade, there are some visible signs that the disruption in India's supply chain is gradually being repaired. He was of the view that inclusion of entire textile value chain under RoDTEP Scheme accompanied by a progressive Textile Policy could provide a significant boost to India's exports in coming months.

3. On 30th September, 2020, the Hon'ble Minister of Textiles speaking at the inaugural session of 'India Bangladesh Virtual Conference on Textiles & Apparels Sector' jointly organized by Confederation of Indian Industry (CII) and Federation of Bangladesh Chambers of Commerce & Industry (FBCCI) said there are many avenues of co-operation and co-ordination between India and Bangladesh Textile & Apparel Industry, which can catapult the industry to capture a significant global market share. Measures are underway to address the logistic challenges in order to reduce the turnaround time for movement of cargo between the two countries and inland waterways will also be leveraged for the same. Imposition of zero duty on exports of ethnic apparel from India to Bangladesh would help increased trade. She stressed that India should focus on increasing yarn and fabric export to our neighbour.

4. According to India Ratings report, India's cotton yarn export to China have declined to around 20% due to lower demand, but the Country could still benefit following the low cost raw material availability and presence of its textile players in US. The trade war between US and China and labour related issues could lead to additional yarn and cotton demand from neighboring countries to the tune of 0.5 million tons and 8-10 million bales. The Report states that the shift in demand could lead to a healthy recovery in credit metrics and ease of liquidity stress for exporters in 2020-21.

## STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) data for the month of August, 2020 released on 12th October, 2020 is as under:

Items	For the Month		Cumulative		% Growth
	Aug. 2019	Aug. 2020	Apl-Aug 2019-20	Apl-Aug 2020-21	
Textiles	115.0	95.9	114.9	58.9	(-)48.7
Wearing Apparel	158.6	120.5	164.3	83.1	(-)49.4

2. A virus which started from Wuhan, China, took the World by surprise. Almost every nation has faced partial or full lockdown. On 24th March, 2020, when lockdown was announced in India, it left everybody shocked and surprised. Demand for textile goods and products was suddenly NIL domestically and internationally. The textile industry in India, once projected to grow approximately at a CAGR



of 10-12% to reach US\$ 222 billion in 2025-26 is now not certain as the industry has shrunk approximately 30% domestically in the first quarter and impact on exports is very huge. The ITMF has found in a survey that on an average orders have dropped by 8% Worldwide and are expected 10% down from 2019.

3. After witnessing setback in past two quarters owing to pandemic Covid-19, apparel industry is banking on upcoming festive season to recover meaningfully from their all-time low sales. As per a recent report of ICRA 'From Disruption to the New Normal Indian Apparel Sector' a turnover decline of 20-25% in financial year 2020-21 is expected compared to a steeper decline of 30-40% in revenue of the apparel companies focusing on the domestic market. Although concerns on the second wave of pandemic are gathering pace across the countries and this remains a key business risk, the recovery trajectory so far has been relatively better for apparel exporters.

4. At the recently concluded International Textile Manufacturers Federation (ITMF) Conference held in Seoul from 20th-22nd October, 2020 in a hybrid (physical/virtual format) experts brought out the far reaching impact of the Covid-19 pandemic on businesses across the World and the expected structural shifts in the global trading environment in its wake. For instance, it was pointed out that the World is witnessing the emergency of three Ds, viz., De-globalization, Digitalizing and De-Coupling, which are likely to define trading patterns in the coming years. This basically means greater reliance on localism, contactless businesses, and re-engineering of supply chains, especially in the context of US-China trade tensions. It was also pointed out that the top 200 Textile Companies saw a decline in sales of 34% during the last eight months of the pandemic this year. Further, during the eight month pandemic period, online trading grew higher than the growth, it registered during the last six years. Analysts at the Conference indicated that 20 million Robots are likely to be put to use in the Textile and Clothing Sector by 2030. This is likely to result in layoffs of 30 million low skilled workers, even as one Robot replaces 1.6 workers.

5. According to Shri Rohan Saxena, Executive Director, Regional Office of Madhya Pradesh Industrial Development Corporation Ltd., "we have proposed a textile park, logistic park and a multiproduct park at the shut sugar mill in Barlai. The area has a lot of potential to attract industries due to its proximity from Indore and other resources". The existing building of the sugar mill is on around 23 hectare and the vacant land in the surrounding is about 11 hectare. As per proposed plan for development of the area, the saleable area in the upcoming industrial belt will be around 59% and around 145 industrial plots will come up in the area.

6. On 28th September, 2020, the Confederation of Indian Textile Industry elected Shri T. Rajkumar, Director of Sakthi Group of Companies as Chairman; Shri S. K. Khandeliya, President & CEO of Sutlej Textiles as Deputy Chairman and Shri R. L. Nolkha, Chairman of Nitin Spinners as Vice Chairman for the next term.

7. On 23rd September, 2020, the Southern India Mills' Association unanimously elected Shri Ashwin Chandran, CMD of Precot Meridian as Chairman; Shri Ravi Sam, MD of Adwaidh Textiles as Dy. Chairman and Dr. S. K. Sundararaman, MD of Shiva Texyarn as Vice Chairman of the Association for 2020-21.