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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. The Association submitted a Representation on 8th January, 2022 to Joint Secretary (Drawback), Central Board of Indirect Taxes & Customs, New Delhi regarding rectification of human error in RoDTEP claims. The exporters intending to avail RoDTEP are required to make a declaration in the Shipping Bill as RoDTEPY (Applicable). There is no provision in the Scheme to correct the inadvertent mistake, if any occurred, while making declaration as RoDTEPY (Not Applicable) in the Shipping Bill. In the Drawback Scheme, there is a provision to make supplementary claim and in the MEIS Scheme, there was a provision to rectify the mistake as provided in Public Notice No. 47/2025-20 dated 8th September, 2015. We have requested them to issue a suitable Public Notice for correction of such mistakes, so that industry does not lose their genuine claims.

2. A representation has been sent to the Principal Secretary, Industrial Policy & Investment Promotion Department of the State on 17th January, 2022 for increase the rebate for consumption load switch over from captive power plants to DISCOMs. The units having Captive Power Plants are not opting for the same because of following reasons:

- The amount of Rs. 2.00 per unit is not sufficient to mitigate the cost of investment and difference in cost of power generation and the power rates of MPPMCL/DISCOMs. We have requested that the amount of rebate should be in between to Rs. 2.50 to Rs. 3.00 per unit to make the Scheme lucrative and attractive.
- The period of two years is too small to take the decision of closure of Captive Power Plants as restoration cost after two years will be too high. We have requested to increase the period from two years to ten years, considering the huge investment made by the industry in captive power plants.

3. A Representation has been sent to the Hon'ble Chief Minister of the State on 17th January, 2022with the request to remove various restrictions placed on generation of Roof Top Solar Power by industry. Solar power plays an important role in energy security, reduction of green-house gases and reduce fossil fuel use. We have requested for :

- No restriction on capacity;
- Adjustment to be made TOD wise instead of 15 minute interval;
- Contract Demand to be allowed as per policy;
- Time bound single window clearance;
- No open access charges;
- No levy of any type by any authority, etc.

4. The Madhya Pradesh Electricity Regulatory Commission has reconstituted State Advisory Committee on 5th January, 2022. From our Industry Shri Mahendra P. KhanteVice-President (E&I), Vardhaman Fabrics has been included in the Committee. The tenure of the Committee is three years.

5. Vardhman Fabrics, Budhni Unit has been felicitated with `Excellent Performance in Sustainable Chemical and Waste Water Management Program' by Apparel Impact Institute on 25th January, 2022. The programme was named as CBD (Clean By Design) Sponsored by GAP and Supported by STS – Blue Win Academy, UK. **Congratulations.**

RAW MATERIAL

1. According to USDA, FAS, Mumbai forecasts for marketing year 2021-2022 cotton production in India at 27.7 million 480 lb. bales on an area of 12.4 million hectares. It estimates lower yields in Punjab and Haryana due to pink bollworm infestation and untimely rains, which have impacted the quality of the cotton crop. Trade sources indicate that the grade is lower, and the colour has deteriorated. Production is lower as farmers had to uproot the infested plants much earlier, so additional pickings did not occur due to poor quality. The consumption is estimated at 26 million (480 lb.) bales (33.3 million 170-kilogram bales/5.7 million metric tons). Mill consumption is higher (200,000 480 lb. bales) as trade sources indicate that mill consumption is being supported by strong demand for home textiles and apparels from international retailers. As of 30th December 2021, the Cotlook A- Index has increased by 12 percent since October, 2021, while Indian ex-gin prices rose by 23 percent during the same period. Prevailing high fiber prices and higher tariffs on imported cotton are prompting local stakeholders in the sector to ask the Government for measures to support the fiber availability at reasonable prices.

2. As per Cotton Outlook, international cotton prices resumed their upward trajectory in December, marking the sixth month out of the past seven during which asking rates advanced. The Cotlook A Index registered its low point for the period on 3rd December (116 cents per lb), before ending the month over 11 cents higher, at 127.20. In 2021, the A Index began at its lowest level for the calendar year of 84.75 US cents per lb. and crossed the dollar mark – a rare occurrence – in late July. The Index registered a high point of 128.45 in mid-November. The average for the 12-month period was historically high, at 101.39 cents, compared with 71.98 in 2020.

3. Since the start of the current (October-September) Cotton Marketing Year, average traded price of Kapas in most markets have been well above its Government-declared Minimum Support Price (MSP) of Rs. 5,726 per quintal (medium staple). Talks of a global supply pinch and a short crop in the Country had seen further price hike even as farmers decided to hold on to their crop rather than offloading the same. At present, Kapas prices in most markets of Gujarat, Maharashtra, Andhra Pradesh and Madhya Pradesh is trading well above Rs. 10,000 per quintal, which the market sources say is a historic high. Price of a candy (356 kg of ginned cotton) is around Rs. 74,000, which has dimmed prospects of exports.

4. The Cotton Association of India (CAI) in its release of 19th January, 2022 has estimated cotton arrivals during cotton season 2021-22 till 31st December, 2021 at 140.52 lakh bales, imports of 3.00 lakh bales and exports of 18.50 lakh bales. The total cotton production during the season 2021-22 has been estimated at 348.13 lakh bales. The State-wise production and arrivals are projected as under:

Quantity in lakh Bales.

States	**2020-21**	**2021-22**	**Arrivals till 31.11.2021**
Punjab	10.50	9.07	3.93
Haryana	22.50	16.10	6.71
Rajasthan	32.50	26.17	16.49
Gujarat	91.50	91.99	33.74
Maharashtra	81.00	86.46	34.00
Madhya Pradesh	18.50	20.50	9.55
Telangana	44.00	43.91	15.32
Andhra Pradesh	16.00	14.30	7.00
Karnataka	24.00	23.55	10.25
Tamil Nadu	7.50	10.00	0.70
Odisha	3.00	3.08	1.30
Others	2.00	3.00	1.53
Total	**353.00**	**348.13**	**140.52**

The Committee on Cotton Production and Consumption (CoCPC) of the Ministry of Textiles at its Meeting held on 12th November, 2021 estimated cotton production in India during the season 2020-21 at 353.84 lakh bales and for current season 2021-22 at 362.18 lakh bales.

According to Shri AtulGanatra, President - CAI, up to 31st December, 2021 the Mill Consumption (October-December) is estimated at 86.25 lakh bales. Stocks at the end of 31st December, 2021 assessed at 113.77 lakh bales (which included 65.00 lakh bales with mills and 48.77 lakh bales with CCI, MF, MNCs and others).

5. According to Indian Cotton Federation there is no major crop damage and the volume of cotton crop will be around 365.00 to 370.00 lakh bales of 170 kgs.each, though there could be slow arrivals as price war on cotton continues. Farmers are very happy as they could cash, as they wish and plan for better yield and quality cotton.

6. Confederation of Indian Textile Industry (CITI) Chairman Shri Rajkumar has stated that the increased rainfall during cotton plucking time has seriously affected the cotton quality causing an acute shortage of good quality cotton for the Indian exporters. He has said that the Rd value, the cotton brightness indicator is around 65 as against over 70 during the earlier seasons. He has stated that cotton arrival during December - January normally would be 2.3 to 2.5 lakh bales per day and the same is ranging only from 1.62 to 1.8 lakhs per day during the current season.

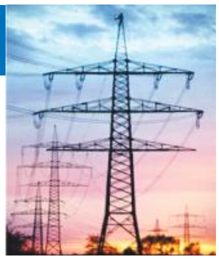
7. The Southern India Mills' Association has requested the Ministry of Finance to incentivize domestic production of Extra Long Staple (ELS) cotton. Recent data show that India imports 5 to 6 lakh bales of ELS cotton to meet its requirement of higher quality yarn for fabrics and readymade garments. A sum of Rs.1,000 crore may be allotted to fulfill the objectives of Mini Mission I and II and Rs.500 crore to implement Mini Mission III and IV. Mission mode approach implementedappropriately for the welfare of farming community will boost exports too and enable 2% to 3% additional growth in the industry fetching substantial revenue benefitting all the stakeholders.

8. The Textile Ministry has taken up with the Ministry of Finance the need for removal of 10% import duty on cotton. Textile Secretary, Shri Upendra Prasad Singh held a meeting with representatives of the textiles and clothing sector on Thursday the 6th January, 2022 to discuss the issue of rising raw cotton and yarn prices.

9. The steep rise of cotton over the last two years has landed textile manufacturers in a crisis. The price of cotton candy rose from Rs 37,000 in 2020 to Rs. 80,000 this year. Spinning mills owners say the spiraling price of raw material has weakened their position in the global market. South Indian Textile Mills Association, Chairman Shri Ravi Sam said, "Cotton price rose to Rs. 51,500 in April, 2021 and then to Rs. 68,000 in October 2021. During the same period, yarn price stood at Rs. 331 per kg. Now, the yarn price has risen to Rs. 401 per kg. as cotton costs Rs. 80,000 per candy."

10. According to the "Cellulose Fiber Market - Forecasts from 2021 to 2026" Report from Research And Markets.com's., the cellulose fiber market is evaluated at US$33.003 billion for the year 2019 and is projected to grow at a CAGR of 5.53% to reach the market size of US$ 48.088 billion by the year 2026.

Power



1. The Madhya Pradesh Electricity Regulatory Commission (MPERC) has issued Public Notice on 30th December, 2021 inviting comments /suggestions on the proposed Tariff for the financial year 2022-23. The Tariff proposed for Textile Industry (HV 3.1) is as under :

Fixed Charges KVA of Billing Demand per month	**2021-22**		**2022-23 Proposed**	
11 KV	Rs. 347.00		Rs. 350.00	
33 KV	570.00		570.00	
132/220 KV	660.00		665.00	
Energy Charges per unit	**Up to 50% LF**	**Above 50% LF**	**Up to 50% LF**	**Above 50% LF**
11 KV	Rs. 7.10	Rs. 6.10	Rs. 7.30	Rs. 6.50
33 KV	7.05	6.00	7.10	6.10
132 KV	6.62	5.65	6.74	5.75
220 KV	6.20	5.20	6.39	5.36

The Association has submitted its suggestions on 17th January, 2022, which include:

- The rebate of Re. 1.00 per unit on incremental consumption to existing consumers should continue at least for next five years.
- Rebate of Re. 1.00 per unit on incremental consumption of Open Access consumers should be allowed considering open access consumption of 2019-20.
- The Rebate of Rs. 2.00 per unit on incremental consumption by Captive Power Plant consumer needs to be increased to Rs. 3.00 per unit considering the base year of request of switch over and should continue for at least next ten years.
- The Rebate for supply through feeder, feeding supply to predominantly rural areas be continued.
- Energy Charges for consumption beyond 120% of Contact Demand, which is proposed at the rate of 1.3 times the normal Energy Charges, should not be allowed and the system of no Extra Charges for consumption beyond Contract Demand should continue.
- For exceeding Contract Demand up to 30% penal charges be abolished.
- For Off peak Hours, the Rebate of 20% of Normal Rate during the period April-October, which was prevalent up to 8thJuly, 2021 needs to be restored. Rebate of off peak Hours should be increased to 25% from present 10/20%.
- The rate of Surcharge for late payment is proposed at 1.25% per month (15% p.a.), whereas DISCOMs pay interest at the Bank Rate only on consumers Security Deposit. The rate of late payment Surcharge should be aligned with present Bank Rate.
- The power factor incentive for HT/EHT be increased from 7% to 10%.
- Our State is with surplus power and as such may consider abolition of Fuel Cost Adjustment (FCA) Charges.
- No Additional Surcharge should be levied on Captive Power Plants and Renewable Power Plants.

- For other Charges on Open Access Power like, Electricity Duty, Energy Development Cess, segregation of power should not be treated as default, if the energy bills are being paid regularly
- Rebate should form part of the Additional Security Deposit calculation. However, by Order dated 25th January, 2022, MPERC has asked the MP Power Management Company and DISCOMs to file a fresh petition.

2. As per reports, Nagrik Upbhokta Margdarshak Manch has filed a revision petition in Madhya Pradesh High Court seeking a direction to the State Government to consider its application not to raise power tariff in the State in the wake of Covid pandemic.

Man Power

1. The Employees State Insurance Corporation on 12th January, 2022 has amended eligibility condition under Atal Beemit Vyakti Kalyan Yojna w.e.f. 1st July, 2021 a insured person should have been in insurable employment for a minimum period of 12 months immediately before his/her unemployment and should have contributed for not less than 78 days in the one completed contribution period in 12 months immediately preceding to unemployment.

2. State Government has notified on 7th January, 2022 Madhya Pradesh Shram Kalyan Nidhi (Sanshodhan) Viniyam 2021. Accordingly, the employers have to file details of welfare activities under taken in previous financial year to the Welfare Commissioner of the State.

3. As per reports, the two Labour Code, which may come in from the next fiscal will be the Social Security Code and the Code on Occupational Safety, Health and Working Conditions. The idea is to get going on the Codes, which have been pending for implementation for more than a year now.

4. Mrs. Suchita Oswal Jain of Vardhman Group is an advocate of women empowerment with 35 % of the workforce comprising women. In the organization today, over 13 % of the women employed comfortably work in night shifts.

LEGAL & TAXATION

1. The Committee looking into rate rationalization, which has been tasked to review the rates for textiles as well, will try to ensure minimum pain for MSMEs, while balancing it with the Government's need to generate revenue and correct the inverted duty structure. Various possibilities could be explored. The industry has proposed a number of alternatives, pointed out Shri Sanjay Jain, Chairman, ICC National Textiles Committee. One is imposition of a uniform GST of 8 % on all items. Another option is to maintain status quo till the fitment committee announces new slabs and then move the 5 % slab to closest new slab. Yet another proposal is to impose a 7 % GST on cotton garments, yarns and MMF fabric and a 12 % GST on MMF yarns and fibers. This is a workable option as the value addition will take care of the inversion gap of 5 % in tax rates for MMF fabric. This will lead to a need for minimal or no refund. Otherwise, the whole chain will be free of inverted duty. Moreover, the Government will get extra revenue.

2. The Madhya Pradesh Pollution Control Board has revised Administrative fees and Consent fees for use of water payable by Industries with effect from 1st January, 2022.

Export & Import

1. According to the preliminary data on India's merchandise trade in December, 2021, released by the Ministry of Commerce & Industry, exports of cotton yarn, fabrics, made-ups, handloom products showed growth of 22.13% in December, 2021, over the same month of the previous year. Export of Ready-made garments of all Textiles, increased by 45.73%.

2. As per information available from the Confederation of Textile Industry, the exports of Textiles and Apparel during the period April-December, 2021-22 have increased by 49.09 % as compared to the exports during the period April-December, 2020-21. The comparative figures of exports of various items are as under:-

Value in US$ Million

Exports	Apl-Dec. 2020-21	Apl-Dec. 2021-22	% Change
Cotton Yarn/Fabrics/ Made-ups, Handloom Products, etc.	6,800.67	11,293.12	66.06
Man-made Yarn/Fabrics/ Made-ups, etc.	2,527.76	4,098.58	62.14
Jute Mfg. Including Floor Covering	245.49	362.12	47.51
Carpets	1,050.97	1,359.70	29.38
Handicrafts Excluding Handmade Carpets	1,171.83	1,578.71	34.72
Textiles	11,176.72	18,692.23	62.39
Apparel	8,201.60	11.,122.90	35.62
Textiles & Apparel	19,998.52	29,815.13	49.09
All Commodities	2,01,380.35	3,01,381.67	49.66
% of T&C to total	**9.93**	**9.89**	

3. The Union Textile Minister Shri Piyush Goyal on 4th January, 2022 said the Government is making efforts towards gaining access to new markets and getting concessional duties on textile products through Free-Trade Agreements. Interacting with textiles associations, the Minister shared that in all the ongoing negotiations with major countries like the UK, the UAE, Canada, the European Union and Australia, there is a special focus on getting concessional duties for textile products.

4. The import of raw cotton and waste increased by 59.97% and textile yarn/fabric/made-up articles by 54.42% during the period April -December, 2021 as compared to the imports during the same period of the previous year. The details of imports of these products during April-December, 2021 as compared to same period of previous year are under:-

Value in US$ Million

Imports	Apl-Dec 2020-21	Apl-Dec 2021-22	% Change
Cotton Raw & Waste	258.57	413.64	59.97
Textile Yarn/Fabrics/	975.49	1,506.39	54.42

5. Apparel exports were 22% up at $ 1.46 billion in December, 2021 from $1.20 billion in December 2020. The same in the first nine months of this fiscal stood at $ 11.13 billion, 35% more than $8.22 billion in April-December 2020. Shri Narendra Kumar Goenka, Chairman, Apparel Export Promotion Council (AEPC) stated that the trend is going stronger.

6. The Directorate General of Foreign Trade (DGFT) on 14th January, 2022 has issued a Trade Notice advising that all IECs not updated after 1st July, 2020 shall be deactivated with effect from 1st February, 2022.

7. The Country's recent performance in global trade has not been commensurate with its abilities. Exports declined by 3 % during 2015– 2019 and by 18.7 % in 2020. During the same period, other low-cost countries such as Bangladesh and Vietnam have gained share. A variety of factors have contributed to India's recent trade performance. India has factor cost disadvantages (example, power costs 30 to 40 % more in India than it does in Bangladesh). Lack of free or preferential trade agreements with key importers, such as EU, UK and Canada for apparel and Bangladesh for fabrics, puts pricing pressure on exporters. The high cost of capital and high reliance on imports for almost all textiles machinery makes it difficult to earn the right return on invested capital. Longer lead times than for Chinese manufacturers make India uncompetitive, especially in the fashion segment. The trend of near shoring in western economies has not helped either. However, COVID-19, which has triggered a recalibration of sourcing patterns (China-plus-one sourcing), has provided a golden opportunity for Indian textiles to regain a leadership position as a top exporting economy. India should strive to grow exports at a CAGR of 8 to 9 % exports during 2019–2026, which should take exports to $65 billion by 2026.

8. Achieving the $ 65 billion exports target up from $ 36 billion in 2019 will require India to double down in five key areas:

Apparel: Target a $ 16 billion increase by riding the China-Plus-One sentiment. India is suitably positioned on this, thanks to its relatively large strategic depth compared to Vietnam or Bangladesh.

Fabrics: Target a $4 billion jump by positioning India as a regional fabric hub, starting with cotton woven and then extending to other sub-categories.

Home textiles: Target a $4 billion increase by building on existing advantages to expand the global customer base. Man-made fiber and yarn: Target a $2.5 billion to $3 billion jump with a focus on gaining share in MMF (man-made fiber) products

Technical textiles: Target a $2 billion jump by building capabilities in select key sub-segments on the back of potential domestic demand growth.

9. According to a joint Report by global consulting firm Kearney and the Confederation of Indian Industry (CII), with the right actions from the industry majors and robust execution of Government schemes, India can hit $65 billion in exports by 2026. This, coupled with growth in domestic consumption, could propel domestic production to reach $160 billion. Given the labour-intensive nature of this industry, this growth could add 7.5 million direct jobs in textile manufacturing.

STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) data for the month of November, 2021 released on 11th January, 2022 shows growth of textile sector as under:

Items	For the Month		Cumulative		% Growth
	Nov 2020	Nov 2021	Apl-Nov 2020-21	Apl-Nov 2021-22	Apl-Nov 2021-22
Textiles	108.9	117.6	78.7	116.2	47.6
Wearing Apparel	101.7	135.7	93.4	119.8	28.3

2. To boost the production of technical textiles in the Country, the Ministry of Textiles has cleared on 17th January, 2022, Research Projects worth Rs. 30 crore under the flagship programme 'National Technical Textiles Mission'. Amongst the 20 Research projects, 16 projects of Specialty fibers were cleared including five projects in Healthcare, four projects in Industrial and Protective, three projects in Energy Storage, three projects in Textile Waste Recycling and one in Agriculture and four projects in Geo textiles (Infrastructure) were cleared.

3. The Ministry of Textiles has released Operational Guidelines for PM Mega Integrated Textile Region and Apparel Park Scheme on 15th January, 2022. As per the Guidelines, the sites for the Parks will be selected on the basis of five metrics. The nearest highway from site, distance from air cargo, airport/railhead, distance from sea port/inland waterway/dedicated freight corridor and distance from multi modal logistic park /will have a weightage of 25%. Similarly, the existing ecosystem for textiles like distance from existing textile cluster, availability of raw materials and skilled manpower suitable for textiles industry, availability of skill development institutes/research associations/institutes will also have a 25% weightage. A 20% weightage will be given for assurance of availability of good quality power source at the site to support the development and operation of Park, assurance for power distribution license for Master Developer for park area along with permission for open access sourcing of power. A 20% weightage to State Industrial/Textile Policy and 10% to Environment and Social impact.

4. The Amended Technology Up-gradation Scheme (ATUFS) is valid only up to 31st March 2022. In order to continue the Technology Up-gradation Scheme, Confederation of Indian Textile Industry (CITI) has requested the Government to devise a new scheme giving priority to textile machinery manufacturing and spinning modernization apart from giving subsidies to regular investments in other segments of the value chain.

5. The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) has called upon the Finance Ministry to provide support to MMF processing units---It is high time for India to have World class processing houses. Government must provide support in terms of policy to encourage the processing units of MMF Textile segment,.

The investment may be around 20% of FOB value of exports. Accordingly, the estimated Government contribution may be around Rs. 50,000 crore over a period of 5 years, in which annual outgo would be around Rs. 4,000 crore @ 20% subsidy. It will boost exports of Indian MMF, MM yarn, MMF fabrics and Made-ups and value additions that will result in will be nearly Rs. 15,000 crore of exports, over and above the total exports.

6. As per reports, many of the Textile Groups from Rajasthan are shifting to Madhya Pradesh. About six companies have taken land in Jhajharwada Industrial Area near Neemuch. It will provide employment to about 6,000 persons.

BUDGET - 2022-23 : HIGHLIGHTS (FOR TEXTILE SECTOR)

Hon'ble Finance Minister presented Budget for 2022-23 in Parliament on 1st February 2022. Some of the provisions for Textiles Sector Include :

- Allocation for Textile Sector increased by 8.1%.
- Provision of Rs. 133.83 for Textile Cluster Development; Rs. 100.00 crore for National Technical Textile Mission; Rs. 15.00 crore each for PM Mega Integrated Textile Regional & Apparel Park Scheme and Production Linked Incentive Scheme.
- Exemption from Duty for embellishments, trimmings, fasteners, buttons, zippers, lining material, etc.
- Knitting and Weaving Machinery to attract 7.5% Import Duty. ELGS for MSME Sector extended up to 31st March, 2023.

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