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ASSOCIATION NEWS

1. Renewable energy plays an important role in energy security and in reducing greenhouse gas emissions. Using renewable energy at large scale helps to reduce fossil fuel uses. Strong Government support and liberal Renewable Energy Policies help smooth installation of Solar Plants in the State mainly Rooftop Solar Plants within the premises of industries

One of our Member Mill situated at Nimrani, District Khargone has a HT supply connection from West Discom. In order to make use of Renewable Energy as per Policy of the Government as also to reduce carbon emission, the Mill installed a Captive Solar PV power plant at its Roof top under the registration from MP Urja Vikas Nigam under Policy for Decentralized Renewable Energy System -2016 and subsequently permission from the West Discom (the Licensee).

The West Discom started levy of the Additional Surcharge on solar power giving reference of Section 42(2) of the Electricity Act 2003 for Levy of Cross Subsidy Surcharge and section 42(4) for the Additional Surcharge on captive power plants. The Mill filed a Petition at Hon'ble Commission on 26th November, 2020 and prayed for withdrawal of the above demand of Additional Surcharge on Solar Captive Power Plant. On 27th October, 2021 the Hon'ble Commission did not find merit in the contention and held that Additional Surcharge is payable by the petitioner under Section 42 (4) of the Electricity Act 2003.

Recently, on 10th December, 2021 the Hon'ble Supreme Court of India in Civil Appeal No. 5074-5075 of 2019 in the matter of Maharashtra State Electricity & Distribution Co. Ltd. v/s M/s JSW steel limited & Others has ordered that the captive consumers/captive users are not liable to pay the Additional Surcharge leviable under section 42(4) of the Act, 2003, and the Distribution Licensee has to refund the same.

The Mill represented on 7th January, 2022 to the MPPKV Co. Ltd. (West Discom) not to charge Additional Surcharge on solar power giving reference of aforesaid Supreme Court Judgment. But still no action has been taken by the Discom and they are continuing to levy the Additional Surcharge on captive solar power on monthly basis.

We also requested the Hon'ble Madhya Pradesh Electricity Regulatory Commission on 2nd February, 2022 to advise the West Discom not to charge the Additional Surcharge on solar power from the Company and honor the orders of Hon'ble Supreme Court in the matter, but no action has been taken till date.

We made a Representation to the Principal Secretary, Energy Department of the State on the subject on 8th April, 2022, but the matter remains unresolved. Recently, the Jodhpur Bench of Rajasthan High Court has stayed recovery of such charges from the solar power generation and use by the consumers.

We have, therefore, brought the matter for kind consideration of the Hon'ble Chief Minister on 12th May, 2022 with a request to advise the concerned including Managing Director, West Discom to stop charging this unlawful surcharge and refund the amount wrongly billed and recovered.

RAW MATERIAL

1. The International Cotton Advisory Committee (ICAC) in its release of 2nd May, 2023 has stated that as the 2021-22 season comes to an end in about 13 weeks, the industry posted gains in most major categories as compared to the previous season, with area, production and consumption all increasing. One of the few exceptions is World trade, which suffered from the many disruptions experienced throughout the supply chain due to transportation and logistics challenges. In other words, demand has remained high all year — the problem was actually getting the fibre from one sector of the supply chain to the next, and ultimately onto store shelves and into consumers' hands.

The A-Index has continued to rise over the second half of the 2021/22 season and is currently 156.55 US cents/ pound. It is difficult to identify a concrete reason for this price increase as fundamental supply and demand principles seem to be well balanced. However, this continued elevation in price could incentivize farmers to plant higher numbers of hectares than in last year.

2. According to United States Department of Agriculture (USDA) release dated 16th May, 2022 the Global as well as India's estimated production, consumption and stocks for the cotton seasons 2020-21, 2021-22, and 2022-23 are as under:

Quantity in Million Bales (480lb.)

	Production	Import	Consumption	Export	Closing Stock
2020-21:					
Global	111.14		121.69		88.07
India	27.60	0.84	26.00	6.19	11.94
2021-22:					
Global	118.45		122.94		83.65
India	25.50	1.20	26.0	4.70	7.94
2022-23					
Global	121.06		121.99		82.82
India	27.50	1.70	25.5	4.00	7.64

The larger crop in 2022-23 is the result of a small increase in cotton area—supported by higher World cotton prices, while the global yield remains stable. Global harvested area is forecast at 32.9 million hectares (81.4 million acres), 2 percent above 2021-22 and the highest in 3 years. The World yield is forecast at 800 kilograms (kg) per hectare (714 pounds per acre) in 2022-23, the same as the year before but above the 5-year average

India's production is projected at 27.5 million bales in 2022-23 and is 2 million bales above the 2021-22 crop, which was reduced to its lowest since 2009-10 by weather and pest infestations. The larger crop forecast for 2022-23 is the result of a rebound in both harvested area and yield. India's cotton harvested area is projected at 12.7 million hectares (31.4 million acres) in 2022-23, a 4.5-percent increase. The national yield is also forecast higher at



471 kg per hectare, 3 percent above the 3-year average after several consecutive seasons of disappointing yields.

3. According to a World Bank report, the average price of raw cotton in the first quarter of 2021 was \$1.64 per kg, which was 3 per cent higher than the average price in 2020. In the fourth quarter of 2021, prices were projected to rise to \$1.72 per kg.



Like in most other industries, the pandemic has had a role to play here as well. Due to the stagnating production and plateaued demand for cotton textiles during the lock downs, the entire supply chain was affected. Even the cotton plantations in India were affected, resulting in lower crop growth.

However, the reopening of the industries skyrocketed the demand for cotton. Consumption in 2021 grew faster than anticipated, which only added to the demand-supply gap. This led to a reduction in global cotton stocks and higher prices.

4. Cotton Association of India (CAI) released its April, 2022 estimate of the cotton crop for the season 2021-22 on 14th May, 2022. The CAI further reduced its cotton crop estimate for the 2021-22 season by 11.50 lakh bales to 323.63 lakh bales from its previous estimate of 335.13 lakh bales.

The third Meeting of the Committee on Cotton Production and Consumption (CoCPC) was held on 23rd May, 2022. It has estimated cotton production for the cotton season at 315.43 lakh bales.

The State-wise break-up of the estimated Cotton Production for the season 2021-22 by the CAI vis-a-vis CoCPC are as under:

Quantity in lakh Bales(170 kgs.).

State	CoCPC 23.05.'22	CAI 14.05.'22	Arrivals till 30.04.'22 (CAI)
Punjab	6.51	9.07	6.93
Haryana	13.16	16.10	14.71
Rajasthan	24.81	26.17	24.24
Gujarat	75.57	83.99	71.80
Maharashtra	71.18	79.96	69.75
Madhya Pradesh	14.27	19.00	17.08
Telangana	66.45	37.91	32.50
Andhra Pradesh	15.18	13.30	12.25
Karnataka	19.52	21.05	18.40
Tamil Nadu	2.80	12.00	04.75
Odisha	5.70	2.08	2.08
Others	0.28	3.00	3.00
Total	315.43	323.63	277.49

There appear to be certain confusions in estimations of crop in Punjab, Haryana, Madhya Pradesh, Telangana, Tamil Nadu, etc.

The tentative comparative Balance Sheets for the cotton Season 2021-22 drawn by both the organizations are as under:

Quantity in Lakh Bales

	CoCPC	CAI
Opening Stock	71.84	75.00
Crop	315.43	323.63
Import	20.00	15.00
Total Supply	407.27	413.63
Mill consumption	289.00	285.00
SSI Consumption	21.00	22.00
Non Tex. Consumption	16.00	13.00
Export	40.00	40.00
Total Demand	366.00	360.00
Closing Stock	41.27	53.63

5. The Third Advance Estimates of production of major agricultural crops for the year 2021-22 were released by the Union Ministry of Agriculture and Farmers Welfare on 19th May, 2022. Production of Cotton is estimated at 31.54 million bales (each of 170 kg). As per reports, the current cotton availability and demand is as under:

Cotton stock with traders	: 44 lakh bales
Stock with Mills	: 45 Lakh bales
Summer Crop from Tamilnadu & Karnataka till September, 2022	: 5-6 lakh bales
Expected Import till September	: 3-4 lakh bales
Monthly requirement	: 20-22 lakh bales.

6. Cotton prices have gained nearly 40 percent in 2022 and are at an 11-year high on the back of a demand-supply mismatch. This is hurting cotton yarn spinners and cotton-based textile and garments manufacturers, forcing many to cut down on operations across the Country. Industry watchers estimate that the average consumption of cotton per month has also reduced from around 29 lakh bales to 19 lakh bales per month in India. What is further worrying is the fact that the arrival of cotton is slow during this season 2021-22.

7. The Cotton Association of India (CAI) has written a letter to the Multi Commodity Exchange of India Ltd (MCX), as well as the Union Government requesting them to take corrective measures and save the cotton spinning mill industry from getting completely wiped off in the Country. "As on Friday (13th May), the trading open interest in MCX cotton futures is only 87,500 bales, which is just a quarter per cent of Indian crop size of 325 lakh cotton bales," states the letter. The letter further cites that the USA's cotton crop is 175 lakh bales and the ICE futures has an open interest of 180 lakh bales, indicating mostly genuine buyers or sellers. But on MCX, the open interest has been sharply lower, due to which the cotton stakeholders believe that the speculators pull up cotton prices every day, which is very badly affecting the entire textile value chain,

8. Cotton prices in the Indian domestic market topped a record ₹1 lakh a candy (356 kg) as global prices for the natural fibre topped 150 US cents a pound (₹92,000 approximately). Cotton prices firmed up and the best quality cotton is quoted at ₹1.10 lakh a candy, medium quality at ₹1 lakh and cotton of lower quality is offered at ₹90,000-95,000.

9. Worried about galloping cotton prices and their effect on the textile industry, Minister for Textiles Shri Piyush Goyal met stakeholders — including garment manufacturers, spinners and traders of cotton and cotton yarn — on 17th May, 2022 to discuss various options of dealing with the situation. "As the present situation is perceived differently by different stakeholders, it is important to see things from everyone's perspective.

The Minister announced formation of Cotton Council of India, under Chairmanship of Shri Suresh Kotak, a renowned veteran cotton man, with representation from Ministry of Textiles, Ministry of Agriculture, Ministry of Commerce, Ministry of Finance, Commerce and Industry, Cotton Corporation of India and Cotton Research Institute. The Minister appealed to the spinning and trading community to ensure hassle free supply of cotton and yarn first to the domestic industry and only surplus cotton and yarn should be diverted for exports. He cautioned that export should not be at the cost of domestic industry which is the largest generator of employment in the Country.

10. Textiles and garment manufacturers have approached the Government to ban the futures trading of cotton, as they allege it's adding to market speculations and further driving up prices of the fibre.

Some players are also pushing for a long-term raw material strategy for the sector under which they want the Government to impose an export duty on the fibre to keep local supplies steady. They have also suggested that the Government should follow the Chinese model and set up, through Cotton Corporation of India (CCI), a strategic reserve of about 10 million bales. This will enable it to resort to meaningful intervention in the market, whenever there is a spike in raw material prices.

11. Record-high cotton prices are changing the textile industry dynamics and re-engineering of products. Demand for polyester cotton (polycot) fabric is increasing, after almost a decade, because pure cotton is not affordable to many now. Spinning mills in Gujarat have started blending polyester and cotton and the coming festival season will see a higher share of poly-cotton fabric and garments. Gujarat has about 120 spinning mills and they recently cut procurement and production by 50%.

30s count recycled poly spun yarn dropped ₹20 to ₹155-160 per kg. Poly spun yarn and 30 PC combed (48/52) yarn also witnessed downfall of ₹2-5 per kg.

12.. The Polyester Staple Fibre (PSF) prices have been increased by Rs. 1,000 per ton, while the prices of Viscose Staple Fibre (VSF) have been hiked by Rs. 3,000 per ton for the month of June, 2022. The prices of modal fibre and



excel fibre have also been revised upwards by Rs. 5,000 per ton and Rs. 11,000 per ton respectively for June, 20221 deliveries.

POWER

1. The ongoing power crisis in northern and western States has crippled the textile industry in India. Production is being hampered by power cuts in the States of Haryana, Delhi, Uttar Pradesh, Punjab, Rajasthan, Gujarat, Madhya Pradesh and Maharashtra. Spinning mills are the most affected as yarn production is a high power consumption process. The disruption of electric supply is adding to the problem faced by the textile industry due to skyrocketed prices of cotton.



MAN POWER

1. The Government is set to allow higher voluntary contributions to the pension accounts as part of a major revamp of the Employees' Pension Scheme, 1995. The move is aimed at bringing EPS-95 on a par with the National Pension Scheme to enhance the retirement options. The Labour Ministry also plans to open the EPS to all individuals, while enhancing the minimum pension to Rs 3,000 based on the contribution by individuals.



2. The Expert Committee on minimum wages, headed by Statistician and Economist Shri S.P. Mukherjee, has finalised its methodology to calculate the minimum wage based on nutritional requirements and consumption expenditure. The Panel will submit its report to the Centre in September, 2022.

3. The Office of Labour Commissioner, Indore, has issued an Order on 10th May, 2022 decreasing Variable Dearness Allowance payable to textile mill employees governed by Sethi Award for the period April-June, 2022 by Rs.15.43 per month for Indore Centre and increasing the same by Rs. 51.96 per month for Bhopal Centre.

LEGAL & TAXATION

1. The Department of Consumer Affairs has issued a Notification on 28th March, 2022, which shall come in to force from 1st October, 2022. With certain amendments, a new Clause 6 has been added in the Second Schedule of Legal Metrology (Packaged Commodities) Rules, 2011, which decriminalizes the offences related to Declaration.



2. The Supreme Court on 19th May, 2022 struck down the Integrated Goods and Services Tax (IGST) levy on ocean freight, upholding the Gujarat High Court decision that had gone in favour of taxpayers.

According to Shri Abhishek A. Rastogi, partner at Khaitan & Co, who argued for the companies- "The Supreme Court has held that GST on ocean freight paid in case of import of goods is unconstitutional. As a corollary, the Indian importers, who had paid such tax will be eligible to refund. Further, those importers who had not paid the tax on import of services will now not be required to pay tax because of this Supreme Court ruling". Now, Indian importers will not have to pay the 5 per cent Integrated Goods and Services Tax (IGST) levy on shipping charges known as ocean freight.

3. Antidumping duty on elastomeric filament (spandex) yarn has been removed. The usage of elastomeric filament yarn in the dress materials including denim enhances the value addition considerably and throws opportunities to increase the exports.

4. Central Board of Indirect Taxes & Customs have waived late fee under section 47 for the period from 01.05.2022 till 30.06.2022 for delay in filing FORM GSTR-4 for the financial year 2021-22.

5. The GST Council is likely to consider modification in Summary Return and monthly tax payment form, GSTR-3B, in its meeting this month, with a view to check fake input tax credit claims and expedite settlement of genuine ones. According to reports, the modified form will provide clarity with regard to gross input tax credit (NSE -1.95 %) due to the taxpayer, the amount claimed in a particular month and the net amount left in the taxpayer's ledger.

EXPORT & IMPORT

1. According to the preliminary data on India's merchandise trade for the month of April, 2022, released by the Ministry of Commerce & Industry, exports of cotton yarn/ fabrics/ made-ups, handloom products showed growth of 8.72% in April, 2022, over the same month of the previous year. Man-made yarn, fabric, made-ups, etc. exports increased by 8.02% and apparel by 21.44%.



2. As per information available from the Confederation of Indian Textile Industry (CITI), the exports of Textiles and Apparel during the month of April, 2022 have increased by 11.86% as compared to the exports during the month of April, 2021. Total Exports declined from 10.12% in April, 2021 to 8.66% in April, 2022.

The comparative figures of exports of various items are as under:

Value in US\$ Million

Exports	April 2021	April 2022	% Change
Cotton Yarn/Fabrics/ Made-ups, Handloom Products, etc.	1,065.20	1,158.08	8.72
Man-made Yarn/Fabrics/ Made-ups, etc.	424.52	458.59	8.02
Jute Mfg. Including Floor Covering	37.12	45.56	22.73
Carpets	129.92	125.02	-3.77
Handicrafts Excluding Handmade Carpets	158.42	118.85	-24.98
Textiles	1,815.18	1,906.10	5.01
Apparel	1,297.68	1,575.86	21.44
Textiles & Apparel	3,112.86	3,481.96	11.86
All Commodities	30,747.13	40,186.90	30.70
% of T&C to total	10.12	8.66	

3. The import of raw cotton and waste increased by 57.64% and textile yarn/fabric/made-up articles by 35.29% during the month of April, 2022 as compared to the imports during the same month of the previous year. However, the details of imports of these products during April, 2022 as compared to same month of previous year are under:

Value in US\$ Million

Imports	April 2021	April 2022	% Change
Cotton Raw & Waste	33.36	52.59	57.64
Textile Yarn/Fabrics/	145.87	197.35	35.29

4. Shri Manoj Kumar Patodia, Chairman of Cotton Textiles Export Promotion Council (Texprocil), on 13th May, 2022 stated that the Government target for cotton textile exports for 2021-22 was \$13.6 billion. All cotton textile and clothing products – yarn, fabrics, and made-ups had seen growth, according to provisional data Cotton textile exports, including raw cotton in 2021-22 were \$15.29 billion. Exports to countries such as Bangladesh, U.S., Portugal and Sri Lanka had seen a significant jump. Yarn exports to China had increased and cotton textile exports to countries such as Egypt and Portugal had also increased. It indicated that Indian exporters were finding new markets. There had been an increase in volume of exports too, especially for yarn and fabrics.

5. The Department of Commerce has notified on 11th May, 2022 a new RoDTEP Schedule (Appendix 4 R) for implementation with effect from 1st January, 2022 after aligning the earlier Schedule with the Customs Tariff Schedule as per Finance Act, 2021.

6. Confederation of Indian Textile Industry Chairman Shri Raj Kumar hopes that the T&C Industry would be able to achieve the export target of US\$ 16.96 billion (25% increase) set for the cotton value chain and the total textiles and clothing export target of US\$ 47.029 billion (18% increase) set for the financial year 2022-23 with the help of availability of cotton fiber and other raw materials at internationally competitive prices to the Indian T&C Industry.

STATE OF THE INDUSTRY

1. The quick estimates of Index of Industrial Production (IIP) for the month of March, 2022 released on 12th May, 2022 with base 2011-12 stands at 148.3 as against 145.6 for March, 2021. The Index of Textile Sector are as under:

Items	For the Month		Cumulative		% Growth
	Mar. 2021	Mar. 2022	Apl-Mar. 2020-21	Apl-Mar. 2021-22	Apl-Mar. 2021-22
Textiles	119.6	118.7	91.1	118.0	29.5
Wearing Apparel	143.8	197.5	108.4	139.2	28.4
General	145.6	148.3	118.1	131.5	11.3



2. The first meeting of the Textile Advisory Group constituted by the Ministry of Textiles (MoT) under the Chairmanship of Shri Suresh Kotak was held on 29th May, 2022 at Mumbai, which was chaired by Shri Piyush Goyal, Hon'ble Textile Minister. After detailed deliberations, some of the important decisions taken by the

Hon'ble Minister of Textiles are as under:

- Government would not take any decision to benefit one segment at the cost of the other.
- Ministry to ensure release of notification permitting duty free import of cotton till 31st December, 2022
- Advised Textile Commissioner to issue a notification making online filing of Monthly, Quarterly and Annual Statistical Returns with final warning for self-compliance, failing which making it a precondition for sourcing cotton from CCI and also availing any benefit including TUFs, RoDTEP, etc., from the MoT
- MoT would facilitate logistics for the import of unsold cotton from Australia, and Tanzania and sort out the issues relating to phytosanitary certificate.
- Streamline the existing seeds, reduce the number of varieties and curb spurious seeds.
- Efforts to bring Bollgard3 and other GMO technology to reduce the cost of cotton production and improving the cotton productivity.
- For the implementation of individual bale quality tagging with traceability and producing sustainable cotton, directed Textile Commissioner to form Committee and submit a proposal to make the major ginning factories to install HVI cotton testing equipment with Government contributions.

3. Union Minister of State for Textiles, Smt. Darshana Jardosh inaugurated 'Gartex Texprocess India' and marked the launch of India's leading textile and garment manufacturing trade fair in Mumbai, on 12th May, 2022. During the interaction with the media, the Minister also spoke about the need for Indian textile industry, mostly dependent on cotton fabric to pay attention to the global market, where Man-Made Fibre (MMF) occupies 75% share.

4. According to Union Textile Secretary, Shri U. P. Singh the Government has received proposals from 17 States for the PM Mega Integrated Textile Region and Apparel (PM MITRA) Scheme, or the Mega Textile Park Scheme, which has been allocated Rs. 4,445 crore for seven years up to 2027-28. Only seven States will be selected for the Scheme. A private master developer, (a real estate player rather than a textile player), who will put in 70% of the total investment will be preferred. The other 30% will be given by the Union Government.

5. The Production Linked Incentive (PLI) 2.0 for the textile industry may have a lowered minimum investment and turnover criteria, if restricted to garments and apparel. Discussions at the Textile Ministry on the possible scope of the proposed second edition of the PLI Scheme for textiles hint at a distinct possibility of it being restricted to garments and apparel because of the high employment generation prospects in this sector. "The specifics of the second edition of the PLI Scheme, including the product coverage, are still being finalized.

6. In his meeting with the CEO of Fast Retailing, the parent company of Uniqlo, Tadashi Yanai in Tokyo on 23rd May, 2022 Prime Minister Shri Narendra Modi called upon him to join India's journey to become a manufacturing hub for textiles, particularly scaling up the use of technologies.

While Shri Yanai appreciated the entrepreneurial zeal of Indians, Shri Modi discussed with him Uniqlo's growing presence in India and investment opportunities for textile manufacturing under Production Linked Incentive (PLI) Scheme and also asked Shri Yanai to take part in the PM-Mitra Scheme aimed at further strengthening the textiles sector.

7. The 40 basis points increase in repo rate announced by the Reserve Bank of India (RBI) last month will lead to costlier loan, and add to the already existing challenges—like high prices of cotton and cotton yarn, and weak domestic and export demand—for the textile industry. The policy repo rate under liquidity adjustment facility is now 4.40 per cent. This will adversely impact the entire value chain of the textile industry. Business loans for the industry will become expensive. The capital cost will increase for textile companies for new plant and machinery, which normally requires borrowings of large sums. Production cost will also go upside because of costlier working capital, which have already doubled due to the exorbitant increase in prices of cotton and other commodities.

8. The second half of March, 2022, the International Textile Manufacturers' Federation (ITMF) conducted the 13th ITMF Corona-Survey, which revealed that average across all regions and all segments, the business situation in March, 2022 remains in positive territory with +14 percentage points (pp). Nevertheless, this is well below the +26pp in November, 2021 and the +18pp in January, 2022. That a relative high number of companies judge their situation as satisfactory shows that demand remains strong despite the many challenges companies are facing on the supply side like delayed deliveries and higher production costs. When it comes to the business expectations in six months' time, the global textile value chain remains optimistic but stands on a much weaker foundation.