



## ASSOCIATION NEWS

1. The Association submitted a Representation on 17th June, 2022 to Ms. Shubhra, Trade Advisor, Ministry of Textiles, Government of India, regarding support to the Indian spinning sector for a stronger textile value chain. At a time when cotton and yarn exports are declining, the garment export is showing robust growth. As per preliminary estimates of DGC&S, exports of cotton textiles (including yarn) have shown a decline of 9.1% in May, 2022 as against May, 2021, as compared to a growth of 22.9% in the garment exports during the same period. This trend is expected to continue till the new cotton season starts in October, 2022 indicating increased availability of yarn for domestic downstream industry. We are highly concerned about the unfounded and speculative suggestions of cheap yarn exports hampering growth of the garment sector in the Country by some stakeholders in the industry. The cotton prices have increased steeply (price of 31 mm cotton has increased by over 140% in last 18 months), which has led to the present situation. Cotton comprising 70% of the cotton yarn production cost, the impact of the cotton price rise is very high. In spite of that, yarn is today available at a reduced price of around Rs. 20 – 30 per kg. due to sluggish movement of yarn. The rising cotton prices and non-availability of cotton have adversely impacted the spinning sector. Several spinning units across the State have reduced their production capacity by 30-40%, which can impact the employment not only in this particular sector but in the entire value chain.

In this regard, we have requested for the following urgent interventions:

- Provide clarity through an immediate notification on the duty-free import cotton facility from 30th September 2022 to 31st December 2022 to enable the spinning mills to augment the cotton supplies till domestic supplies of new cotton season hit the market.
- Implement Textile Advisory Group (TAG) recommendations on the improvement in productivity and steps to control the anticipated pink bollworm attack as the root cause of the problem is the lowering of production and productivity.
- Make online submission of textile statistics to the Office of the Textile Commissioner mandatory by all the stakeholders making it a pre-condition to avail any Government benefit especially from Ministry of Textiles.
- Announce Technology Mission on Cotton 2.0 giving more thrust for latest technology seeds and agronomy practices.
- Take steps to make MCX/ NCDEX cotton futures rates more representative of the market situation and prevent speculative trading.
- Extend 5% interest subvention for yarn bank and provide adequate working capital to meet export commitments.
- Extend period of EPCG obligation for the spinning segment without penal provision considering the significant drop in the yarn export

during the last several years.

- Recommend to the Ministry of Chemicals and Fertilizers to ban the use of white polypropylene bag and use coloured bag to prevent white polypropylene contamination in the cotton.

2. Confederation of Indian Textile Industry-Cotton Development Research Association (CITI-CDRA) has finalized action plan for cotton development activities in Ratlam, Jhabua, Dhar, and Alirajpur Districts for the year 2022-23. The area will be 72,000 hectares, and 85,000 farmers will be participants in the Cotton Collaborative Project. New Interventions include - Conducting Field Level Demonstrations (FLDs) of newly developed ELS cotton hybrids, and a minimum of 350 FLDs will be conducted in different districts, Detopping demos. Financial Requirements of Rs. 32 lakh will be met from contributions from Vardhman Textiles Limited, Pratibha Syntex Limited, Bayer Crop Science Ltd, Confederation of Indian Textile Industry, Members of Regional Textile Mills' Associations, and interest income on investments.

3. Shri Sudhir Agrawal, Chairman, Sagar Group was conferred with 'Leader of Change' award by Times of India Group on 28th June, 2022 at Bhopal. The award was received by Shri Siddharth Agrawal, our Dy. Chairman at the hands of Shri Prahalad Singh Patel, Union Minister of State for Food Processing and Jal Shakti.

**Congratulations.**

## RAW MATERIAL



1. The International Cotton Advisory Committee (ICAC) in its release of 1st June, 2022 has stated decrease in the crop size of some top cotton-producing countries — including India, Argentina and South Africa - have resulted in consumption outpacing production as the 2021-22 season comes to a close. They were closely aligned through most of the year but given these smaller-than expected crops, consumption is expected to exceed production by about 265,000 tons. ICAC informed that as the 2021-22 season comes to a close

- Global area is estimated to decrease by 1% to 32.78 million hectares.
- Global production is to be 26.13 million tons.
- Global consumption is currently projected at 26.09 million tons.

2. United States Department of Agriculture (USDA) latest report featured meaningful changes in 2021-22 production to 116.9 million bales and mill-use to 121.7 million bales and only slight revisions in 2022-23 forecasts - World production at 121.3 million and mill-use at 121.5 million bales. The largest country-level changes for 2021-22 production were for India 24.5 million bales and Brazil 12.7 million. For 2022-23, the biggest



increase was for Egypt 420,000 bales.

In terms of mill-use, the largest changes for 2021-22 were for China 38.0 million, India 25.5 million, Mexico 1.9 million, and Vietnam 7.3 million bales. For 2022-23, consumption estimates were updated for Bangladesh 8.9 million, Mexico 1.9 million, and Vietnam 7.4 million bales. It may be notable that all revisions were down side.

Import estimates for 2021-22 were lowered for China to 8.5 million, Pakistan to 4.6 million, and Vietnam to 7.2 million. There were no notable revisions to projections for 2022-23 imports. For 2021-22 exports, the Indian figure was lowered to 4.3 million bales. For 2022-23 exports, the Brazilian forecast decreased to 9.8 million and the Mexican forecast increased to 400,000 bales.

3. India's import of cotton raw and waste jumped 80.12 per cent to \$96.33 million in May, 2022. India had imported cotton raw and waste of \$53.48 million in May, 2021. Higher import of cotton and yarn during May, 2022 show that there is limited supply of these raw materials for manufacturing of apparel.

4. The Cotton Association of India (CAI) on 18th June, 2022 reduced its estimate for the cotton crop output for the current season beginning October, 2021-September, 2022 to 315.32 lakh bales of 170 kg each, which is 12% lower than the original estimate of 360.13 lakh bales made in October, 2021. The revised State-wise estimates are as under:

**Quantity in lakh Bales(170 kgs.).**

State	2020-21	2021-22	Arrivals till 31.05.2022
Punjab	10.50	9.07	7.00
Haryana	22.50	16.10	14.91
Rajasthan	32.50	26.17	24.44
Gujarat	91.50	79.75	75.30
Maharashtra	81.00	77.50	71.75
Madhya Pradesh	18.50	20.00	18.50
Telangana	44.00	35.40	34.00
Andhra Pradesh	16.00	14.00	13.25
Karnataka	24.00	20.25	18.90
Tamil Nadu	7.50	12.00	5.25
Odisha	3.00	2.08	2.08
Others	2.00	3.00	3.00
<b>Total</b>	<b>353.00</b>	<b>315.32</b>	<b>288.38</b>

The Committee on Cotton Production and Consumption (CoCPC) of the Ministry of Textiles at its meeting held on 23rd May, 2022 estimated cotton production in India during the season 2021-22 at 315.43 lakh bales only.

According to Shri Atul Ganatra, President - CAI, for the months of October, 2021 to May, 2022 cotton consumption is estimated at 225 lakh bales, while the export shipments up to 31st May 2022 are estimated at 38 lakh bales. Stock at the end of May, 2022 is estimated at 104.22 lakh bales including 70 lakh bales with textile mills and the remaining 34.22 lakh bales with the CCI, Maharashtra Federation and others (MNCs, traders, ginners, MCX, etc. including the cotton sold but not delivered)

5. India Ratings and Research (Ind-Ra) said in the June, 2022 edition of its credit news digest on India's Textile Sector that the domestic cotton prices will remain elevated, while facing headwinds, over the short term, led by resistance from domestic spinners, temporary suspension in activities by some spinners in the southern region of India and a demand slowdown from end-consumers. Ind-Ra does not expect a sharp correction in the cotton prices until the next Indian cotton season starts (October-September), supported by strong fundamentals. The domestic cotton production was lower 16 per cent YoY in the current Indian cotton season up to May, 2022, leading to a supply shortage amid a sustained global demand, led by the US ban on Chinese Xinjiang cotton. Hence, Ind-Ra expects the prices to remain elevated over the medium term compared to pre-COVID levels.

The Man Made Fibre (MMF) prices may increase over the medium term, owing to an expected rise in raw material prices driven by the US and European Union ban on Russian oil imports amid aggravating geo-political

tensions on the Russia-Ukraine war. The prices shall also be supported by a higher substitution demand amid elevated cotton prices over the medium term,

7. Sharp fall in ICE cotton has changed market scenario in India. ICE cotton has registered decline of up to 27.67 per cent in the third week of June, 2022. Speculative selling in ICE cotton has turned the market from bullish to bearish. Premium on Indian cotton widened due to steep fall in ICE cotton, but short supply in next three months will limit the fall in cotton prices.

8. Notwithstanding the marginal decline in cotton acreage in northern States such as Punjab and Haryana, the area under the cotton crop is set to rise by 8 to 12 per cent this season to about 135 lakh hectares as farmers in Western, Central and Southern zone are reported to be planting more of the cotton crop on higher prices.

9. The Cabinet Committee on Economic Affairs (CCEA) Chaired by the Prime Minister on 8th June, 2022 has approved the increase in Minimum Support Price of Cotton for the season 2022-23, which is as under:

**Rs. per Quintal**

Cotton	2021-22	2022-23	Increase
Medium Staple	5,726	6,080	354
Long Staple	6,025	6,380	355

## POWER

1. The Madhya Pradesh Electricity Regulatory Commission (MPERC) has approved recovery of Fuel Cost Adjustment Charges of 10 paise per unit for July-September, 2022 billing quarter.

2. The MPERC has notified on 31st May, 2022 The MPERC (Recovery of Expenses and Other Charges for Providing Electric Line or Plant Used for Purpose of Giving Supply) Regulations, 2022. Almost charges for all the services have been revised upwards.



## MAN POWER

1. Employees Provident Fund Organisation vide its circular dated 3rd June, 2022 has declared interest for the financial year 2021-22 @ 8.1% to be credited to the account of each member.

2. The implementation of the Labour Codes will relieve employers from the fear of imprisonment as the Labour Ministry has - all general penalty clauses under the four Labour Codes barring grievous cases while protecting the rights of the workers.

Further, imprisonment provisions under multiple sections of existing labour laws have been replaced with the compounding provisions, valid for three to five years, depending on the Codes. Implementation of the Codes will significantly ease the woes of employers, while enhancing their operational flexibility. Labour being on the Concurrent List of the Constitution, decriminalization of offences in central labour laws will automatically apply to areas falling within the jurisdiction of both State and Central Governments.



## LEGAL & TAXATION

1. The Central Board of Indirect Taxes & Customs (CBIC) has put out a procedure relating to sanction, post-audit and review of refund claims for taxpayers. This is following several reports CBIC received about different practices being followed by the field





formations, creating issues for taxpayers. It clarified that post-audit to be conducted only for refund claims amounting to Rs one lakh and above, till further instructions and while passing refund orders, officers are required to upload a detailed speaking order along with refund sanction order in the GST form. The matter has been examined with the twin purpose of ensuring uniformity in procedure and enabling effective monitoring of sanction of refund claims to safeguard interest of revenue.

2. The Hon'ble Calcutta High Court vide its order dated 5th May, 2022 in W.P.A. 7231 of 2022 in the matter of Sanchita Kundu & Another. Vs. The Assistant Commissioner of State Tax, Bureau of Investigation, South Bengal & Others relying on the decisions of various High Courts and Supreme Court held that the input tax credit shall be allowed in case of genuine transactions made before the cancellation of GST registration. ITC cannot be denied on genuine transactions with suppliers, whose GST registration was cancelled after transaction.

3. The Finance Ministry is working on a Mechanism that can resolve Goods and Services Tax (GST) disputes raised by States, while avoiding distortions in the tax regime. The plan includes a Dispute Redressal Bench that will have representation from States, the Centre, and independent law and tax experts well versed in legal and economic implications. There will be detailed guidelines on which cases can be referred to such a process. The need for such a mechanism also follows a recent Supreme Court ruling that GST Council recommendations aren't binding on States or the Centre.

## EXPORT & IMPORT

1. According to the preliminary data on India's merchandise trade in May, 2022, released by the Ministry of Commerce & Industry, exports of cotton yarn/ fabrics/ made-ups, handloom products showed negative growth of 5.83% in May, 2022, over the same month of the previous year. Man-made yarn, fabric, made-ups, etc. increased by 2.82% and apparel by 27.85%.



2. As per information available from the Confederation of Textile Industry, the exports of Textiles and Apparel during the period April-May, 2022 have increased by 9.77% as compared to the exports during the period April-May, 2022. The comparative figures of exports of various items are as under:

Value in US\$ Million

Exports	April-May 2021-22	April-May 2022-23	% Change
Cotton Yarn/Fabrics/ Made-ups, Handloom Products, etc.	2,171.24	2,199.11	1.28
Man-made Yarn/Fabrics/ Made-ups, etc.	835.55	860.71	5.40
Jute Products	72.50	88.49	22.06
Carpets	268.88	252.27	-6.18
Handicrafts etc.	304.59	238.78	-21.61
<b>Textiles</b>	<b>3,652.76</b>	<b>3,659.36</b>	<b>0.18</b>
<b>Apparel</b>	<b>2,404.68</b>	<b>2,990.03</b>	<b>24.34</b>
<b>Textiles &amp; Apparel</b>	<b>6,057.44</b>	<b>6,549.39</b>	<b>9.77</b>
All Commodities	63,046.21	78,721.48	24.86
% of T&C to total	9.61	8.45	

3. The import of raw cotton and waste increased by 80.12% and textile yarn/fabric/made-up articles by 42.34% during the month of May, 2022 as compared to the imports during the same month of the previous year. The details of imports of these products during April- May, 2022 as compared to same period of previous year are under :

Value in US\$ Million

Imports	April -May 2021-22	April -May 2022-23	% Change
Cotton Raw & Waste	86.84	148.92	71.49
Textile Yarn/Fabrics/ Made-ups, etc.	296.03	411.08	38.86

4. During the month of April, 2022 Textile and Apparel exports showed a growth of 7.9% as compared to April, 2021. The segments wise exports of Textile Sector in April, 2022 have been as under:

Value in US\$ Million

Exports	April 2021	April 2022	% Change
Fibre	412.1	262.0	(-)36.4
Filament	110.2	96.4	(-)12.5
Yarn	408.0	452.3	10.9
Fabric	450.9	516.5	14.6
Apparel	1,297.8	1,574.6	21.3
Home Textiles	528.9	538.5	1.8
Others	176.8	212.4	20.1
<b>Total</b>	<b>3,384.7</b>	<b>3,652.7</b>	<b>7.9</b>

5. According to reports, after an unprecedented rise cotton and cotton yarn prices have fallen significantly. According to estimates nearly 200 containers (4,000 tons) of 40s count of combed carded compact cotton yarn has arrived at Indian ports from Vietnam, Indonesia and Taiwan. Further, around 1,000 containers of cotton yarn are expected to arrive in the second week of July, 2022 from Vietnam. This has created panic in the market and prices have come down by Rs. 50-55 per kg. However, there is no import duty on cotton yarn being imported from Vietnam and hence importers are taking advantage of this.

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

7. The Federation of Indian Export (FIEO) has urged the Government to increase the validity of Rebate of State & Central Taxes and Levies (RoSCTL) and Remission of Duties and Taxes on Export Products (RoDTEP) scrips to 24 months as a support for exporters. It has also appealed to link transferability with realization, extend RoDTEP to EOUs, SEZ and authorization, expand usages of RoDTEP and RoSCTL scrips and logistics support for, looking at the higher freight.

8. Garment exporters have appealed to the Union Government to provide benefits under the Rebate of State and Central Taxes and Levies (RoSCTL) in cash directly to the exporters and not as scrips.

Shri Vijay Jindal, President of Garment Exporters and Manufacturers Association, said in a press release that credit scrips of exporters are trading at almost 20% discount. The scrips are trading at discounts largely due to new conditions imposed recently in the RoSCTL Scheme. Exporters may suffer ₹1,500 crore loss because of this.

As per reports, the Government is looking to overhaul the RoSCTL Scheme for exporters, merely eight months after launch as the Scheme is eroding their margins.

9. In a joint event held at the Headquarters of the European Union (EU) at Brussels on 18th June, 2022 the Union Minister for Commerce and Industry, Consumer Affairs and Food & Public Distribution and Textiles, Shri Piyush Goyal, and Mr. Valdis Dombrovskis, Executive Vice-President of European Commission formally re-launched the India-EU Free Trade Agreement (FTA) negotiations.

**10.** Talking about Free Trade Agreements on 25th June, 2022 at Coimbatore, Union Textile Minister Shri Goyal said that negotiations are fast progressing with Canada, the UK, European Union and Israel. Regions like GCC (Gulf Cooperation Council) and Eurasian Economic Union too are keen on early conclusion of negotiations for trade pacts with India. These series of FTAs will give a competitive edge to our exporters in boosting exports and creation of jobs and attract thousands of crores of investments all over India.

**11.** According to Shri Narendras Goenka, Chairman Apparel Export Promotion Council "Textile export growth until last year was 20% but the demand from the US and the EU has started slowing. Though we are not planning to reduce capacity, export growth could slip by about 10% this year. Textiles exports could benefit from India-Australia FTA but that would be visible only by the end of the year."

## STATE OF THE INDUSTRY

**1.** The Index of Industrial Production (IIP) data for the month of April, 2022 were released on 10th June, 2022. The General Index for April, 2022 was 135.1 as against 126.1 for the same month of last year showing a growth of 7.1% The IIP for the textile sector were as under:-

Items	For the Month		Cumulative		% Growth
	Apr. 2021	Apr. 2022	Apl-Mar. 2020-21	Apl-Mar. 2021-22	
Textiles	114.6	114.2	91.1	118.0	-0.3
Wearing Apparel	83.4	138.2	108.4	139.4	65.7



**2.** The Government is planning to roll out a second Production-Linked Incentive (PLI) Scheme for the labour-intensive textiles and garment sector following good response to the first such programme, Textile Minister Shri Piyush Goyal said on 25th June, 2022. Speaking at inauguration of SIMA TEXFAIR 2022 in

Coimbatore, he said "We are keen to support the apparel manufacturing sector... Talks are going on between the Ministry of Textiles, the Department for the Promotion of Industry & Internal Trade (DPIIT) and Niti Aayog. We will be shortly devising a Scheme after consulting the industry. We will then put up a proposal for Cabinet approval." Incentives of Rs 6,013 crore will be extended to them, which represent 56% of the Rs 10,683 crore that the Government had initially earmarked for this Scheme

**4.** Shri Upendra Prasad Singh, Secretary, Ministry of Textiles, Government of India has said that the Government will focus on Research and Development of Technical Textiles under the National Technical Textiles Mission (NTTM) to increase penetration of these items in Indian market. He was addressing the '5th National Conclave on Standards for Technical Textiles' on the theme Building Standards for India@2047, organized by FICCI, jointly with the Ministry of Textiles and BIS on 10th June, 2022. He said, "Technical textiles is a sunrise sector, and we collectively have to work to increase its penetration in the domestic market."

**5.** As per OTEXA data, India's market share in US cotton sheet imports fell to 50% in 4th quarter of 2021-22 from 60% in 4th quarter of 2020-21, whereas China and Pakistan gained about 5% market share each. In the Terry Towels segment, India's share has fallen by 300bp to 40% in 4th quarter of 2021-22 (v/s 43% in same period of 2020-21), while China/Pakistan's share remained constant at 20%/23%. "What has exacerbated the matter is that depreciation in the US Dollar (USD): Pakistani Rupee (PKR) helped Pakistan gain market share in the US and Europe as buyers see better pricing for its products. USD: PKR depreciated

by 21% as against a 6% depreciation in the USD: INR from September 2021 to May 2022. However, the expected signing of the FTA with the UK and Europe will bring Indian products on par with that of Pakistan.

**6.** The International Textile Manufacturers Federation has released International Product Cost Comparison, 2021 the highlights of which are:

- Hourly wages for skilled workers in different processes (spinning to finishing) were lower in India as compared to that in China and Vietnam but higher than Bangladesh;
- The cost of electricity in India was about US\$ 0.10 /KwH, which was similar to Bangladesh but higher than that of Vietnam's cost of US\$ 0.08. The cost of electricity in China was US \$ 0.11 /KwH.
- Capital interest rate in India was 8% as compared to 3.5% in Vietnam, 6% in China and about 9% in Bangladesh.
- Raw material cost for different processes (spinning to finishing) was lowest in India as compared to Bangladesh, China and Vietnam.
- Custom, import tax, etc. on machinery price was negligible/small in Vietnam and Bangladesh as compared to India and China.

**7.** According to Wazir Textile Index, almost all the top companies in the sector – including Welspun, Vardhman, Arvind, Trident, KPR Mills, Indo Count, RSWM, Filatex, Nahar Spinning and Indorama – saw an increase in sales during the last financial year. Industry bodies say that this demand has declined during the first two months of the financial year. After seeing a rise of 41 per cent in India's textiles and apparel exports to \$44.4 billion in 2021-22, the increase in cotton and yarn prices is leading to a demand drop of at least 10 per cent so far during the current financial year.

**8.** The Textile Committee has released its Report on Domestic Demand of Textile & Apparel: Market for Textile & Clothing -2020. The overall market size of T&A sector including exports registered a significant growth by growing from US\$ 159 billion in 2017 to US\$ 182 billion in 2019 at CAGR of 7% The Corona pandemic has adversely affected the domestic demand as the demand is estimated to have declined to US\$ 132 billion in 2020 before indication of increasing to USD 152 billion in 2021. With household sector contributing 62% followed by 24% by exports and 14% by non-household sector. Hence, demand in the household sector is likely to be key induced factor for overall wellbeing of manufacturing activity of the sector.

**9.** The Textiles Ministry is planning an impact assessment and beneficiary sentiment survey of important schemes and initiatives for the industry to identify challenges related to their implementation, and take targeted measures to overcome them so that benefits are optimised. Bids have been invited to hire agencies for carrying out impact assessment for schemes such as the Technology Up-gradation Fund Scheme (TUFS), Scheme for Integrated Textile Park (SITP), Silk Samagra, Power-Tex India, and Samarth, that were all launched to drive sectoral growth and position India as a global textiles manufacturing hub. "

**10.** Chief Minister of Madhya Pradesh Shri Shivraj Singh Chouhan on 30th May, 2022 during an interaction with delegation of industrialists of the State, assured them that Government would extend all possible support to develop yarn and textile industries in the State. Establishing new units will act as helping hand in creating job opportunities. Shri Shekhar Agrawal Chairman, Maral Overseas met the him and informed that the proposed investment for production of cotton mélange yarn on the land under existing Textile Unit at KhalBujurg in Khargone District will begin from July, 2023.