

M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION



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Volume XVIII No. 1

Indore, August 2022 • Pages 4

Price Rs. 5/-



The positive export results, good growth of many companies, and issue of Initial Public Offerings by various textile and garment companies show that textile industry is growing. After a struggle of two years, the industry got momentum and have a potential to give it a shape in the long run. Even the Prime Minister invited the delegation from textile and garment industry and listened to them. In the last one year the Ministry of Textile and the Industry both have a number of inter-actions and a different level of understanding with each other has developed. Schemes like PLI and PM MITRA are worth appreciating and may give a push to Man-Made Fibre and Technical Textiles and open many paths for further growth.

RAW MATERIAL



1. The ending cotton season has seen a lot of things, but stability and consistency aren't really among them. However, production and consumption in the final month of the 2021-22 (July-June) season are virtually unchanged from the numbers in June, 2022. According to International Cotton Advisory Committee (ICAC)

Statement of 1st July, 2022, Australia's forecast has been revised upward slightly, adding 1,19,000 tons to the 2021-22 season. Consumption for cotton season 2021-22 remains unchanged at 26.15 million tons, which still surpasses the expected production of 25.91 million tons despite Australia's larger contribution. However, ICAC cautioned that don't let the seeming stability fool you about what's coming. The drastic increase in fuel and energy costs have had a direct impact on fertiliser prices and availability. Worse, there are growing concerns that the World will experience multiple famines as a result of the conflict in Eastern Europe, which spells trouble for everyone but especially African nations.

2. The latest USDA report featured reduction of figures for both World production and mill-use for both the 2021-22 and 2022-23 crop years. For 2021-22, the global production estimate was lowered to 116.2 million bales and global consumption was lowered to 119.8 million bales.

Global 2022-23 cotton area and production are projected as 32.9 million hectares (81.4 million acres) and 121.1 million bales of 217.72 kgs. each compared to previous year 118.40 lakh bales, which is 2.6 lakh bales (2.23%) above the 2021-22 estimates of cotton production led by China, India, and the United States. Two major cotton producing countries i.e., China and India are projected at 27.5 million bales each in 2022-23 followed by United States (16.5 million bales), Brazil (13.2 million bales) and Pakistan (6.2 million bales).

During 2022-23, cotton area in China and India are projected to increase from 3.10 to 3.15 million hectares (7.8 million acres) and 11.96 to 12.7 million hectares (31.4 million acres) respectively. Global cotton mill use is projected to remain near the level of the previous 2 years after the rebound from the disruptions that affected the global cotton supply chain. For 2022-23, it is projected at 119.9 million bales, the 6th highest on record. In 2022-23, cotton use is led by China, India, Pakistan, and Bangladesh. Global cotton trade is forecast to expand to 46.4 million bales, with gains for Brazil and Australia more than offsetting declines for the United States and India. With World cotton production and mill use approximately balanced in 2022-23, stocks and the global stocks-to-use ratio are nearly unchanged from 2021-22. As a result, above-average prices are expected to continue into 2022-23.

3. International cotton prices lost considerable ground during June, 2022 under the lead of a volatile but still falling New York futures market. Between 17th June and 28th June, the lead December contract lost 25.75 cents in just seven trading sessions. The Current (2021-22) A Index registered its lowest level since March, 2022 late in the period, while the Forward (2022-23) Index fell to its weakest since the inception of that price in mid-May, 2022. The fall in raw cotton values was attributed to several factors including macro-economic headwinds, which saw speculators exit cotton and other commodity futures markets. The collapse was also associated with increased reports of demand destruction further down the cotton value chain but seemed at odds with a relatively bullish US statistical outlook.

4. The Committee on Cotton Production and Consumption (CoCPC) of the Ministry of Textiles at its meeting held on 1st July, 2022 estimated cotton production in India during the season 2021-22 at 315.43 lakh bales only, details of which are as under:

Area in Lakh Hectares/Quantity in lakh Bales./Yield in Kgs per Hectare:

State	Area	Production	Yield
Punjab	2.56	6.51	432.30
Haryana	6.36	13.16	351.76
Rajasthan	7.56	24.81	557.90
Gujarat	22.46	75.57	571.99
Maharashtra	39.54	71.18	306.03
Madhya Pradesh	5.63	14.27	430.89
Telangana	20.69	66.45	545.99
Andhra Pradesh	5.48	15.18	470.91
Karnataka	6.77	19.52	490.16
Tamil Nadu	1.38	2.80	344.93
Odisha	1.93	5.70	502.07
Others	0.19	0.28	250.53
Total	120.55	315.43	444.82



The CoCPC has drawn Cotton Balance Sheet for the season 2021-22 which is as under:

	2020-21		2021-22	
	Lakh Bales	'000 Tons	Lakh Bales	'000 Tons
Supply:				
Opening Stock	120.79	2,053.43	71.84	1,221.28
Crop	352.48	5,992.16	315.43	5,362.31
Crop	352.48	5,992.16	315.43	5,362.31
Import	11.03	187.51	15.00	255.00
Total	484.30	8,233.10	402.27	6,838.59
Demand:				
Mill Consumption	297.45	5,056.65	285.00	4,845.00
SSI Consumption	22.42	381.14	20.00	340.00
Non-Textile Cons.	15.00	255.00	16.00	272.00
Export	77.59	1319.03	42.00	714.00
Total	412.46	7,011.82	363.00	6,171.00
Closing Stock	71.84	1,221.28	39.27	667.59

5. With cotton sowing already crossing the 10-million-hectare mark in the current kharif season, prices are likely to fall further in the domestic market. According to Shri Atul Ganatra, President of the Cotton Association of India, at present, cotton prices are hovering around Rs 80,000-85,000 per candy (1 candy = 356 kg). In the wake of increased acreage under cotton cultivation, we are expecting further correction in prices. At one point of time, prices of cotton went up to Rs 1,10,000 per candy earlier this year. Sowing continues till the second week of August in Maharashtra, Gujarat, Punjab, Haryana, Rajasthan, Madhya Pradesh, Karnataka, Andhra Pradesh, Telangana and Tamil Nadu.

6. According to a report of Union Agriculture Ministry during the current Kharif season the area under cotton may increase by 4-6% to 125 lakh hectares. Up to 15th July, 2022 sowing of cotton was completed on an area of 102.8 lakh hectares (including 4.60 lakh hectares in Madhya Pradesh), which is 6.2% more than the area of 96.58 lakh hectares during the same period in the previous cotton season.

7. An Interactive Meeting with stakeholders of Cotton Textile Value Chain on improving cotton productivity & branding of Indian Cotton was held at Vanijya Bhawan, New Delhi, on 24th July, 2022 in the august presence of Shri Narendra Singh Tomar, Minister of Agriculture & Farmers' Welfare, Shri Piyush Goyal, Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles and Smt. Darshana V. Jardosh, Minister of State for Textiles & Railways. Shri Goyal said that cotton works like a bridge between agriculture and textile sector. Cotton-based products have significant share of total Textiles & Apparel products both at Domestic and International level. Private sector must contribute to boost research in productivity, farmers' education as well as branding to which Government would provide matching support. Asserting integrated approach, Shri Goyal said that private sector has to act in a Mission mode to strengthen the Cotton Value Chain.

8. Ministry of Textiles Press release dated 27th July, 2022 has stated that cotton and cotton yarn prices are dependent on market forces of demand and supply and higher international prices. Ministry of Textiles is constantly engaged with various stakeholders across the entire cotton value chain in respect of the prices of cotton and cotton yarn to harmonize their interest. Ministry of Finance has exempted the customs duty on raw cotton imports upto 31st October, 2022.

The domestic cotton prices have been reduced from its peak level of Rs. 1,03,000 in the Month of May, 2022 to Rs. 86,400 per candy. The yarn prices which were ruling in the range of Rs. 400 to Rs. 440 per kg for 40s Cone combed in the month of April and May, 2022, has also been reduced by Rs. 35 to 40 per kg. in the month of July 2022.

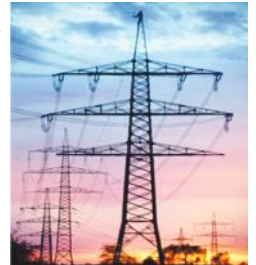
9. In the face of adverse market conditions, Indian textile mills who had contracted for cotton imports may have to face huge losses as the International Cotton Association (ICA) has refused to facilitate these mills with cancellation of their orders. Instead, it has suggested that the importers can sell back as per the bylaws of the global body. In a letter sent to Tamil Nadu Spinning Mills Association (TASMA), who had communicated on the issue, ICA said that any contract that is subject to ICA bylaws and rules may not be cancelled.

10. As per reports, Reliance Industries Limited (RIL) slashed the price of polyester spun fibre (PSF) by ₹7 per kg after reduction of prices of raw material like purified terephthalic acid (PTA), monoethylene glycol (MEG) and MELT. RIL is the largest manufacturer of PSF in India, so the market follows its prices. The prices are also influenced by fluctuation in China. RIL reduced PSF price to ₹120 per kg. PSF is the raw material for polyester and polyester-cotton blended yarn which is economical for the textile industry.

11. As per a State Bank of India Research Report by Chief Economist Shri Soumyakanti Ghosh released on 17th July, 2022 the income of farmers has grown in the range of 1.3-1.7 times in the financial year 2021-22 from the financial year 2017-18 levels on average. The increase in the income of farmers engaged in cash crops has been more prominent compared to farmers growing non-cash crops.

POWER

1. As per Reports, the State Governments are responsible for poor financial health of Gencos/Coal Companies. At the National Conclave of Chief Secretaries held on 25th July, 2022 presided by the Hon'ble Prime Minister a presentation was made about the dues payable by Discoms to Gencos. The presentation pegged the total overdue of Discoms towards Gencos at Rs. 1.10 lakh crore as on 31st March, 2022. This included Rs. 16,240 crore of unpaid subsidies only payable by the Madhya Pradesh Government to State Discoms. The dues payable by the Government Departments are in addition to this amount. The presentation pointed out that dues of Central Gencos and Coal Companies can be recovered by deducting the amount from concerned State's share of taxes under tripartite agreement among the Centre, Reserve Bank of India and the State.



MAN POWER

1. The Employees State Insurance Corporation vide its Circular dated 22nd July, 2022 has directed that w.e.f. 1st August, 2022 no Regulation Certificate for any Cash Benefit will be issued by ESIC/ESIC Dispensaries in physical form. All concerned will have to use "Dhawantari" module of project Panchdeep for issue of such Certificates.



2. The Ministry of Skill Development and Entrepreneurship (MSDE) has made the National Apprenticeship Promotion Scheme (NAPS) as part of the Direct Benefit Transfer (DBT) Scheme, providing direct Government benefits to all apprentices. This would prevent delay in payments as well as significantly reduce any leakages in the system. Earlier companies used to pay apprentices the entire amount and then seek reimbursement from the Government.

3. The Centre is hoping that the much-delayed Labour Codes are implemented in the next three to four months with most States having finalised their own draft rules and deliberations are ongoing on the way forward.

LEGAL & TAXATION

1. The Central Board of Indirect Taxes & Customs (CBIC) vide the Gazette of India dated 5th July 2022 notified the following amendments in the GST:

- Exempts taxpayers having AATO upto Rs. 2 crores from the requirement of furnishing annual GST return (GSTR-9) for FY 2021-22.
- Extends due date of furnishing FORM GST CMP-08 for the quarter ending June, 2022 till 31.07.2022
- Extends the waiver of late fee for delay in filing FORM GSTR-4 for FY 2021-22 till 28th day of July, 2022
- Extends dates of specified compliances related to recovery of tax not paid or short paid or of input tax credit wrongly availed or utilized, recovery of erroneous refund and computation of period of limitation for filing refund application in exercise of powers under section 168A of CGST
- Amends following CGST Rules-
 - a. Rule 21A– Suspension of registration,
 - b. Rule 43 – Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases,
 - c. Rule 46 – Tax Invoice,
 - d. Rule 86 – Electronic Credit Ledger,
 - e. Rule 87 – Electronic Cash Ledger,
 - f. Rule 89 – Application for refund of tax,



interest, penalty, fees or any other amount,

- g. Rule 96 – Refund of integrated tax paid on goods or services exported out of India,

- Amends CGST Forms - Form GSTR 3B, FORM GSTR-9, FORM GSTR-9C
- Inserts New Rule 88B – Manner of calculating interest on delayed payment of tax,
- Omits Rule 95A- Rule 95A which relates to Refund of taxes to the retail outlets established in departure area of an international Airport beyond immigration counters making tax free supply to an outgoing international tourist, It shall be deemed to have been omitted with effect from the 1st July, 2019.



2. The Hon'ble Supreme Court of India in the case of Filco Trade Centres

Pvt. Ltd. on 22nd July 2022, has awarded the order in the favour of assessee and ordered the Department to provide the facility for all the registered persons to claim transitional credit from 1st September, 2022 till 30th October, 2022. Some of the key highlights are:

- Any aggrieved party can file the relevant form or revise the already filed form irrespective of the fact that they have filed the writ petition before the high court or not.
- The facility will allow the taxpayers to carry forward the unclaimed input tax credit that was accrued in the pre-GST tax regime due to non-filing of Form TRAN-1 / TRAN-2 within the due date. GSTN portal to be opened for availing Transitional Credit through TRAN 1/TRAN 2.
- The authorities have been given 90 days to verify the claims and pass orders after giving reasonable opportunity of being heard. The SOPs for the same will be notified by the GST Council in order to operationalize the window without any technical glitches during this period.

EXPORT & IMPORT

1. According to the preliminary data on India's merchandise trade in June, 2022, released by the Ministry of Commerce & Industry, exports of cotton yarn/ fabrics/ made-ups, handloom products were US\$ 961.73 million in June, 2022 as against US\$ 1,194.50 million in June, 2021 showing negative growth of 19.49 per cent. Decline in exports of cotton yarn, fabrics, made-ups and handloom products and carpet declined in June 2022, dragged down overall textile exports by 14.30 per cent. According to industry experts, export of cotton yarn and fabrics fell due to disparity in prices, while export of other textile products dropped due to slower demand amid economic volatility. India's apparel export jumped 49.82 per cent to \$1,500.91 million in June, 2022 from \$1001.81 million in June, 2021. The overall export of textile and apparel showed a rise of mere 7.22 per cent because of decline in textiles' shipments.



2. The comparative figures of exports of various items during the period April-June, 2022 as compared to the same period of the previous year are as under:

Value in US\$ Million

Exports	April-June 2021-22	April-June 2022-23	% Change
Cotton Yarn/Fabrics/ Made-ups, Handloom Products, etc.	3,365.74	3,160.90	-6.09
Man-made Yarn/Fabrics/ Made-ups, etc.	1,284.47	1,331.01	3.62
Jute Products	106.72	130.37	22.16
Carpets	411.88	382.43	-7.15
Handicrafts etc.	467.23	354.72	-24.08
Textiles	5,636.04	5,359.43	-4.91
Apparel	3,406.49	4,491.05	31.84
Textiles & Apparel	9,042.53	9,850.48	8.93

All Commodities	95,536.93	1,18,957.10	24.51
% of T&C to total	9.46	8.28	

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 June, 2022 as compared to the imports during the same month of the previous year. The details of imports of these products during April- June, 2022 as compared to same period of previous year are under :

Value in US\$ Million

Imports	April-June 2021-22	April-June 2022-23	% Change
Cotton Raw & Waste	155.63	274.63	76.46
Textile Yarn/Fabrics/	442.64	668.74	51.08

4. In the month of April, 2022 export of cotton yarn (HS Code 5202) was 72,600 tons down by 31.13% month-on-month. Exports to all the countries were lower than the last month. Bangladesh remained the largest export market of Indian cotton yarn, while China was the second largest export market. The details of exports of cotton yarn to some of the countries in March and April, 2022 have been as under:

Quantity in tons

Country	March 2022	April 2022	% Change
Bangladesh	46,485.68	35,318.23	(-)24.3
China	5,994.26	5,288.40	(-)11.78
Egypt	5,764.31	4,922.13	(-)13.40
Turkey	3,469.23	2,179.62	(-)37.18
Peru	3,250.95	2,551.96	(-)21.51
Portugal	3,722.21	2,855.39	(-)23.29
South Korea	2,134.34	1,478.22	(-)30.72
Vietnam	3,118.84	2,437.70	(-)21.84
Columbia	1,469.86	1,372.99	(-)6.60
Guatemala	1,917.73	1,610.38	(-)16.03

5. As per the Directorate General of Foreign Trade (DGFT) notification dated 1st July, 2022- "The last date for submitting applications under MEIS (Merchandise Exports from India Scheme), for exports made in the period 1st September, 2020 to 31st December, 2020 has been extended up to 31st August, 2022, no MEIS applications would be accepted after the last date.

6. As per reports, the Ministry of Commerce is working to release the new five-year Foreign Trade Policy (FTP) before September, 2022 and Districts as Export Hubs Scheme would be part of this document, which aims at promoting exports and job creation.

7. The issue of frequent container examination leading to inadvertent delay was raised by Shri Naren Goenka, Chairman, Apparel Export Promotion Council (AEPC) at a webinar on Authorized Economic Operator (AEO) Scheme with Director General of Taxpayer Services (DGTS), Department of Revenue, Ministry of Finance. During the interaction at the webinar, Shri Goenka said, "The problem is due to frequent examination of containers we miss the vessel and are left with no option but to send our goods through air cargo, which is a very costly affair."

8. As per reports, the Government is weighing a proposal to set up an Inter-Ministerial Panel comprising senior officials to iron out differences across various Ministries and Departments on proposals relating to Free Trade Agreements (FTAs). The move assumes significance, as the Country is either negotiating or planning to start talks for a flurry of high-stake FTAs with key economies, such as the EU, the UK, Canada, Israel, members of Gulf Cooperation Council (GCC) and Australia.

9. As per Senior Director, CRISIL Ratings, "Slowing exports growth and high cotton prices will hit the operating margins of home textile exporters by 150-200 bps this fiscal. The Rupee's depreciation against the dollar and sustenance of the China+1 policy by global buyers will cushion the hit on profitability to some extent. The second half of this fiscal should gradually restore demand momentum and ease pressure on profitability." Overall, Indian home textile industry's revenue is expected to grow 11-12% this fiscal, primarily because of higher in price realizations. Domestic demand (comprising 30-40% of Indian

home textile industry's revenue) is expected to grow at a healthy 13%, driven by sharp demand recovery in the domestic hospitality industry and continued focus on health and hygiene. Growth in export demand will moderate to 10% from 25% last fiscal due to slower recovery in the international travel and hospitality segments globally.

10. Reserve Bank of India (RBI) stated in its Circular dated 11th July, 2022- "In order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in INR, it has been decided to put in place an additional arrangement for invoicing, payment, and settlement of exports / imports in INR". For settlement of trade transactions, the concerned banks will require Special Rupee Vostro Accounts of correspondent bank(s) of the partner trading country. "Indian importers undertaking imports through this mechanism shall make payment in INR, which shall be credited into the Special Vostro Account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier."

11. On 14th July, 2021, Government approved the continuation of Rebate of State and Central Taxes and Levies (RoSCTL) with the same rates as notified by the Ministry of Textiles for exports of apparel/garments and made-ups till 31st Mar, 2024, to boost the exports and job creation.

Chairman AEPC, requested to the Government that the transferee clause, as given in the Department of Revenue Notification, making transferee liable in the case of non-realization of the exporter proceeds should be deleted. The exporters are facing operational issues with respect to availing the Scheme."

12. According to data from the US Department of Commerce, China's share of US cotton textile and apparel imports in 2021 dropped from 23.5 per cent in 2019 to 17.1 per cent, and its share of cotton apparel imports dropped from first place in 2019 to second place, and Vietnam became the second major supplier. China's share of US cotton textile and apparel imports slipped to 15.3 per cent, which has been surpassed by Vietnam, Bangladesh followed by India.

13. According to Union Textile Secretary, Shri U.P. Singh, Indian textile producers are witnessing initial signs of a demand slowdown due to high inflation in the US. Demand has slowed, especially for home textile products as it is more price-sensitive than apparel and garments. Textile export growth is crucial as India's share of ready-made garments has dropped from 6% in financial year 2009-10 to 4.2% in financial year 2020-21 as Bangladesh and Vietnam grabbed market share. India's share of cotton yarn, fabrics and handloom products inched up from 3% in 2009-10 to 3.9% in 2015-16 and then fell to 3.4% in 2020-21, Morgan Stanley said in a note.

14. 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, say industry sources.

15. The European Union on 29th June, 2022 suspended the Generalized Scheme of Preference Status of India for Textile Items (HS 50 to HS 60) for the period 1st January, 2023 to 31st December, 2023.

16. India's trade of apparel and textile products with China is following the trend of overall trade with the neighbouring country. India's trade deficit with China continues to widen in current fiscal 2022-23, similar to 2021-22. India's imports from China are increasing but exports are quite lower and declining which is causing higher trade deficit.

In the financial year 2021-22, India's trade deficit with China was recorded at \$72.9 billion, up nearly \$ 29 billion from financial year 2020-21's figure of \$44 billion, according to data from the Ministry of Commerce.

17. Export Credit & Guarantee Corporation has introduced a new scheme to provide enhanced export credit risk insurance cover to the extent of 90% to support small exporters under the Export Credit Insurance for Banks Whole Turnover Packaging Credit and Post Shipment (ECIB- WTPC & PS). The Scheme is expected to benefit a number of small-scale exporters availing of export credit with banks which hold the ECGC WT-ECIB covers.

STATE OF THE INDUSTRY

1. The Index of Industrial Production (IIP) data for the month of May, 2022 were released on 12th July, 2022. The General Index for May, 2022 was 137.1. The comparison of IIP for the period April-May, 2021-22 vis-a-vis April-May, 2022-23 is as under:

Items	For the Month		Cumulative		% Growth
	May 2021	May 2022	Apl-May 2021-22	Apl-May 2022-23	Apl-May 2022-23
General	115.1	137.1	120.6	136.2	12.9
Textiles	105.3	111.7	110.0	113.0	2.7
Wearing Apparel	83.8	142.4	83.6	136.4	63.2



2. Speaking at the first meeting of the Apex Monitoring Authority of National Industrial Corridor Development and Implementation Trust (NICDIT) on 7th July, 2022, the Union Textile Minister Shri Piyush Goyal said "For textile parks, we will only give to those States that give an assurance of affordability of power, land and labour laws being

implemented to the fullest and State Incentive Schemes will be given preference."

3. According to a report by First Finance and Economics Daily of China, since the onset of 2020, the textile industry has been experiencing massive losses as the industry is unable to raise product prices due to the pandemic. Moreover, orders are 40 per cent lower than last year. According to the estimate of the China Chamber of Commerce for Import and Export of Textiles, the scale of China's textile and apparel order transfer was about US \$ 6 billion in the first half of 2020, of which the cotton textile order transfer scale was about US \$ 1 billion.

4. Responding to a suggestion on evolving National Yarn Index during the second Interactive Meeting held on 14th July, 2022 with the Textile Advisory Group, Union Minister of Textiles, Shri Piyush Goyal has directed the authorities to examine its objectivity, feasibility and reliability for industry.

5. Addressing a brain storming session on "Promoting Circularity amongst Indian Garment Industry" organised by Apparel Export Promotion Council (AEPC) on 27th July, 2022 Textile Secretary, Shri U. P. Singh said that the Government is ready to help the industry with incentives, relevant interventions, standardization and policy support to build a viable ecosystem for a sustainable and circular economy. AEPC has partnered with Fashion for Goods, Netherlands for this initiative.

6. In the Cabinet Meeting of the State held on 15th July, 2022 a decision was taken to amend M P State Land & Building Management Rules, 2019. Provision has been made for transfer of unusable land of units working in clause 20(a) to 1000 square meters instead of 500 square meters and for division and transfer of unusable land of units closed in clause 20(b). Clause 24 (a) in the event of surrender of the plot, a provision has been made to refund the interest amount, while clarifying the provision of refund of development fee with the nominee, after a time period of 6 years in the case of small scale industries and after 7 years in the case of medium and large scale industries even after surrendering before 9 years.