

M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION



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ASSOCIATION NEWS

1. The State Government issued a Notification on 28th July, 2022 covering the following services of the Department of Industrial Policy & Investment Promotion (DIP&IP) under Madhya Pradesh Lok Sevaon ke Pradan ki Guarantee Adhiniyam, 2020 and prescribing certain time limits and appellate authority for the same:

- Interest Claims of large Textile Units.
- Reimbursement of claims of expenditure incurred on provision for electricity, water and roads.
- Assistance for setting up of Textile Parks.
- Capital subsidy Claims for ETP/STP, etc.

However, other important services were not included in the aforesaid Notification and we, therefore, made a Representation to the Hon'ble Chief Minister of the State on 4th August, 2022 and requested to include the following services also under the Act:

- Claims of Investment Promotion Assistance payable under Para 16 of the Industrial Promotion Policy, 2004.
- Reimbursement of training expenses paid to residents of Madhya Pradesh

Copies of the representation were also sent to the Chief Secretary, Principal Secretary of DIP&IP and Managing Director, Madhya Pradesh Industrial Development Corporation.

2. The State Government has constituted under the Roadmap of Atmanirbhar Madhya Pradesh an Advisory Committee for the Textile Sector with an aim to fill up the gap in provision of services, improve quality of products and export promotion under the Chairmanship of Hon'ble Chief Minister. Some of the other Members of the Committee are:

- Ministers for IP&IP, MSME, Principal Secretaries, IP&IP, MSME and Mg. Director, MPIDC.
- Non-official Members include Representatives from Textile Industry- some of them are:
- Shri Neeraj Jain, Vardhman Fabrics,
- Shri Siddharth Agrawal, Sagar Manufacturers (Our Dy. Chairman),
- Shri Akhilesh Rathi, Bhaskar Industries, (Our Chairman),
- Shri Dilip Guar, Grasim Industries,
- Piyush Mutha, Vippy Spinpro (Our Past Chairman),
- Shri Kamal Oswal, Nahar Spinning Mills.

3. At a function held on 23rd August, 2022 the following of our Members were awarded Trophies by Cotton Textile Export Promotion Council (TEXPROCIL) for their Outstanding Export Performance in 2020-21 at the hands of Shri U. P. Singh, Secretary, Textiles and Smt. Roop Rashi, Textile Commissioner:

- Highest Global Exports : Vardhman Textiles Limited - Group Companies—Silver.
- Processed Yarns : Nahar Spinning Mills Limited - Gold.
- Yarn Counts 50s and below: Nahar Spinning Mills Limited - Gold.

Congratulations.

4. Anant Spinning Mills and Vardhman Yarns donated Medical Equipment worth Rs. 5 lakh to Primary Health Centre, Misrod on 29th August, 2022. The equipment were dedicated at the hands of Shri S. Pal Director, M. P. Locations of the Group in the presence of Dr. R. Kumar and Dr. B. K. Shrivastava.

Congratulations.

RAW MATERIAL



1. The latest USDA report featured decrease in global production to 117.0 million and mill-use to 119.1 million bales forecasts for 2022-23. Revisions to historical figures lifted beginning stocks to 84.7 million. The current projection calls for 82.8 million bales of ending stocks in 2022-23. This is the lowest volume since 2018-19, when global ending stocks were 81.5 million bales and the A Index averaged 84 cents/lb. At the country-level, the only change over 100,000 bales was for the U.S., where the forecast plummeted to 12.6 million. If realized, this would be the smallest U.S. crop since 2009-10. With this reduction, the U.S. dropped to the fourth position in the rankings of the World's largest cotton producers (behind China, India, and now Brazil). The U.S. still ranks as the World's largest exporter 12.0 million bales forecast, Brazil is expected to export 9.3 million bales in 2022-23. In terms of mill-use, the largest changes to 2022-23 projections included those for the U.S. to 2.3 million, Vietnam to 6.9 million, Bangladesh to 8.5 million, and Turkey to 8.5 million. There were also notable updates to figures for 2021-22, which included decreases for India to 25.0 million, Pakistan to 10.8 million, and Vietnam to 6.8 million as well as for Turkey to 8.7 million.

2. Cotton prices continue to be caught between the two competing storylines that have been in play for the past several months. On one side, there is the deteriorating global macroeconomic situation. The International Monetary Fund (IMF) lowered its projection for global economic growth in both 2022 (3.2%) and 2023 (2.9%) in the updates released in late July. Current IMF forecasts are significantly beneath those from April (called for 3.6% growth in 2022 and 3.6% growth in 2023). The evolution in the macro-economy was a likely factor contributing to the shift in investors' outlook on the commodity sector, which led to a collapse in prices for cotton and a range of other commodities in June and July. Beyond the weakening macroeconomic environment, there also may be factors associated with cotton supply chains that could affect demand during the 2022-23 crop year. Downstream consumer markets for cotton can be viewed as more discretionary than other spending categories, such as food, energy, and lodging, that experienced some of the sharpest effects of inflation. Given price increases for necessities, consumers may have less income to devote to apparel and home furnishings.

3. As per reports, extreme weather is wreaking havoc upon most of the World's largest cotton suppliers. In India, the leading producer, heavy rains and pests have cut into cotton crops so much that the nation is importing supplies. A heat wave in China is raising concerns about the coming harvest there. In the US, the



largest exporter of the commodity, a worsening drought is ravaging farms and is set to drag production to the lowest level in more than a decade. And now Brazil, the second-largest exporter, is battling extreme heat and drought that have cut yields by nearly 30 per cent. This confluence of extreme weather events brought on by climate change has sent cotton prices soaring by as much as 30 per cent. Earlier this year, these touched the highest level since 2011, squeezed the margins of clothing suppliers and threatened to raise the costs of everything from T-shirts, to nappies, to paper and cardboard.

4. Cotton prices in India have been surging on a daily basis and have jumped over 12 percent in August, 2022 while international prices on 17th August, 2022 traded at a seven-week high, not too far from all-time highs hit earlier this year. MCX cotton August futures traded at Rs 50,550 a bale up 2 percent from 16th August, 2022 closing price. This month, the commodity's price has advanced 12.45 percent.

According to Shri Ravindra Rao, VP- Head Commodity Research at Kotak Securities Ltd, currently, prices have been supportive on the back of reports of crop losses due to pests and heavy rains across cotton-growing areas in the Country despite a larger area under cotton this year. "The defaults in imports are supporting prices, as it is keeping the stocks lower in the Country."

The President of the Cotton Association of India, Shri Atul Ganatra explained that MCX cotton prices are going up because the volume is very less due to very low liquidity. "In August contract, you can see 25,000 bales and in October and November, the liquidity is only 10,000-10,000 bales, which is very low against our crop size."

5. Committee on Cotton Production and Consumption (CoCPC) of the Ministry of Textiles at its meeting held on 10th August, 2022 reviewed the cotton supply and demand position said cotton consumption by Non-SSI Mills is expected to be 283 lakh bales, by SSI mills 19 lakh bales and for non-textile purposes, it would be 16 lakh bales. At a meeting last month, the Committee estimated Non-SSI mill consumption to be 285 lakh bales, SSI mill consumption to be 20 lakh bales and non-textile demand to be 16 lakh bales. The Committee also revised import estimates to 12 lakh bales as against the earlier estimate of 15 lakh bales.

Industry sources said several textile mills have reduced production due to low demand for yarn. This has led to a drop in demand for cotton.

6. According to Fourth advance estimates for 2021-22 of major agriculture crops released by Press Information Bureau on 17th August, 2022 production of Cotton is estimated at 31.20 million bales (each of 170 kgs).

7. The spinning sector is incurring huge cash losses in day-to-day operations due to high cotton prices and low yarn prices. Cotton was sold at about ₹ 1 lakh a candy (355 kg) and it dropped to ₹82,000 a candy in July. It has risen to the ₹ 1 lakh level again. The hike of ₹18,000 a candy was within a short period. The mills are incurring cash loss of ₹40 to ₹50 per kg of yarn because of this volatility in cotton prices. Many mills may become non-performing assets (NPA), if the current situation continued.

8. According to sources, Government procurement of cotton could remain slow even after the new crop season begins in October, 2022 as prices are expected to remain high, outlining a development that could benefit farmers but hit textile manufacturers. The spot price of cotton has nearly surged back to record levels of ₹ 1 lakh a candy amid a drop in production in major cotton producing countries, including India. However, the Government has said that India has sufficient cotton stocks as the total availability of cotton without considering imports is 38 million bales, while consumption stands at 32 million bales this year.

9. India's struggle to win global textile market is dependent on imported raw materials like Man-Made Fibre (MMF), Extra-Long Staple (ELS) cotton and raw materials for technical textiles.

India's imports of raw materials increased in previous year with the rise in exports. It means the Country spent large amount of foreign currency on raw materials to sustain export growth. Therefore, net export earnings reduced, which could be avoided. India's textile & apparel imports reached \$8.1 billion in 2021 from \$5.5 billion of 2020.

10. Tamil Nadu Spinning Mills Association (TASMA) has said that its members are not bound to Bylaws of International Cotton Association (ICA), if they buy cotton from suppliers/shippers, who are members of ICA. TASMA has decided to defer its decision on blacklisting suppliers on the issue of continuous delays in delivery of cotton imports.

11. The Indian Textpreneurs Federation (ITF) conducted a Survey among its member entrepreneurs representing a major value chain of textile manufacturing to get a sense about few key friction points regarding the upcoming cotton season. Shri Prabhu Damodaran, its Convener stated on 22nd August, 2022 that the textile and apparel sector in the Country is facing turbulence due to historic high cotton prices combined with demand contraction in developed markets, even as the industry is now hoping for a robust cotton crop harvest in the new

season starting from October, 2022. Around 99 % of the entrepreneurs participating in the survey mentioned that cotton import duty will make Indian cotton prices higher than that prevailing in the international market.

12. Speaking at the TEXPROCIL Award function on 23rd August, 2022 Shri U. P. Singh, Textiles Secretary, advocated that there should be no import duty on Extra-Long Staple (ELS) cotton. Textile Ministry is working on having a separate HSN code for ELS, which will allow ELS cotton imports at zero customs duty.

13. As per reports dated 29th August, 2022, after receiving representations from the textile industry, the Securities and Exchange Board of India (SEBI) has suspended trading in all cotton futures contracts on the Multi-Commodity Exchange (MCX) for a month. This has been done to align contract specifications with that of the market.

POWER

1. On 18th August, 2022 the State Government has notified Madhya Pradesh Renewable Energy Policy- 2022 which is valid for a period of five years along with the Guidelines for Implementation of Madhya Pradesh Renewable Energy Policy. With the notification of this Policy, Wind Power Project Policy-2012; Small Hydro Policy-2011; Bio-mass Policy-2011 and Policy for Implementation of Solar Power Based Projects in M P -2012 have been repealed.



2. As per Principle Secretary, Energy Department, with an aim to increase the power generation capacity of Madhya Pradesh and address the electricity problems in the region, a floating solar power plant is going to be built in Khandwa, which will generate 600 Megawatt power by 2022-23. He said it will be the World's largest floating solar plant, the project is estimated to be worth over Rs. 3000 crores. Khandwa will become the only District in the State to have all three things including solar, hydel and thermal with over 4,000 MW power to be produced from a single district.

MAN POWER

1. The minimum wages payable to different categories of workmen in the State is likely to increase by Rs. 200 per month (Rs. 8 per day) from 1st October, 2022.



2. The Employees State Insurance Corporation vide its Circular dated 16th August, 2022, has clarified that queries raised by the employers in relation implementation of the judgment dated 8th March, 2021 (ESIC v/s Texmo regarding deduction of contributions on conveyance allowance) have been examined and the legal opinion was obtained and as per the legal opinion the judgment holds good from 8th March, 2021.

3. In the matter of Jamnagar Municipal Corporation Vs Avdesh Kishoribhai Solanki (Gujarat High Court), Hon'ble Supreme Court on 25th July, 2022 held that practice of engaging workmen by separate but consecutive appointment orders of short duration with a view to opposing workmen's claim about continuity in service by citing separate appointment orders, giving artificial breaks between two phase of appointments is unjust and runs counter to the object of the provision and such practice has been repeatedly deprecated by Courts. By adopting such practice, the employer actually engages the workman continuously but with a view to establishing that the person was engaged intermittently and was not engaged continuously, separate orders for short duration are issued and/or artificial breaks are given by issuing appointment letters for 3 months or 6 months duration or in some case 1 year tenure and in some cases appointment orders are issued for tenure of 29 days (then break of one or two days is given) and the same workman is again appointed.. Such action of engaging the workman in such manner and then abruptly discontinuing the person, would not fall within the purview of clause (bb) of Section 2(oo) and such practice cannot get protection of the principle of fixed term appointment recognised by of Section 2(oo) (bb).

LEGAL & TAXATION

1. E-invoicing for businesses with aggregate turnover exceeding ₹ 10 crore will be mandatory from 1st October 2022. Presently, e-invoice is compulsory for businesses with an annual turnover of over ₹ 20 crore.



2. In the Instruction issued on 17th August, 2022, the Central Board of Indirect Taxes & Customs (CBIC) wrote to the Chief Commissioners saying: "The officers under your charge should be sensitive to applying Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020, maintaining consistency with the provisions of relevant Trade Agreement or its Rules of Origin." India has inked Free Trade Agreements (FTAs) with several countries, including UAE, Mauritius, Japan, South Korea, Singapore, and ASEAN members. Under FTA, the trading partners agree to significantly reduce or eliminate import/customs duties on the maximum number of goods traded between them, besides relaxing norms to promote trade in services and investments.



3. The CBIC has issued Standard Operating Procedure on 17th August, 2022 informing its Filed Officers that in the first instance summons under Section 70 of the Goods & Services Tax Act should not be issued to the senior management of any company. Instructions list Chairperson, Managing Director, Chief Executive Officer, Chief Financial Officer and other similar high ranking officials as senior management. They should be summoned only when there are clear indications of their involvement in the decision making process that has resulted in loss of revenue.

4. The Ministry of Consumer Affairs has brought amendments in the Legal Metrology (Packaged Commodities) Rules 2011, on 25th August, 2022. In respect of garments and hosiery sold loose or open at the point of sale, now only four key information relevant to consumers are to be given. They include maximum retail price; sizes with globally recognisable indicators; details in metric notation in terms of centimeters and meters; and consumer care email ID and phone number. Name and address of the manufacturer, marketer, brand owner and importer with "country of origin or manufacture" in case of imported products are also required to be given.

5. The Supreme Court has directed the GST Council to issue advisory to States for implementation of the system of electronic generation of Document Identification Number (DIN) in indirect tax administration, saying it will bring in transparency and accountability vital to efficient governance. A DIN is a 20-digit identification code that is affixed to every communication sent to taxpayers by the Government. The Apex Court said it cannot be disputed that implementing the system for electronic (digital) generation of DIN for all communications sent by state tax officers to taxpayers and others concerned would be in the larger public interest and enhance good governance.

6. After the levy of Integrated GST on ocean freight was struck down by the Supreme Court in a case pertaining to Mohit Minerals, many importers had filed the refund claims but their claims are still stuck. "It is directed that if any IGST amount is collected, the same shall be refunded within six weeks along with statutory rate of interest," Justice N.V. Anjaria said, while admitting the petition by Louis Dreyfus Company India Pvt. Ltd V/s Union of India.

Exports	Apr-July 2021-22	Apr -July 2022-23	% Change
Cotton Yarn/Fabrics/ Made ups, Handloom Products etc.	4,681.56	4,109.08	-12.23
MM Yarn/Fabrics/Made-ups, etc.	1,771.59	1,765.70	-0.33
Jute Products	146.58	169.88	-15.90
Carpets	570.11	499.81	-12.33
Handicrafts, etc.	656.27	475.94	-27.48
Textiles	7,826.11	7,020.41	-10.30
Apparel	4,794.43	5,871.80	22.46
Textiles & Apparel	12,621.04	12,892.21	2.15
All Commodities	1,31,055.38	1,57,441.51	20.19
% Share of T & C	9.63	8.19	

3. The import of raw cotton and waste increased by 236.11% and textile yarn/fabric/made-up articles by 88.83% during the month of July, 2022 as compared to the imports during the same month of the previous year. The details of imports of these products during April- July, 2022 as compared to same period of previous year are under:

Imports	Apr-July 2021-22	Apr -July 2022-23	% Change
Cotton Raw & Waste	213.31	468.47	119.62
Textile Yarn/Fabrics/ Made-ups, etc.	585.13	936.40	60.03

4. "India should focus on promoting apparel export on mission mode. There is no reason why India should lose out on export opportunity in this sector to neighboring countries as our Country has been a global hub for textile manufacturing since time immemorial. It is time we leverage our policy initiatives such as Mega Textile Parks to aim for increased exports not only in yarn and fabrics, but also in apparel and clothing," said Shri Suman Bery, Vice Chairman, NITI AAYOG at an event to launch MVIRDC, WTC, Mumbai Research Study on 'India's Export Competitiveness'. The study highlighted that India's share in World export of high value added items such as apparel and clothing has remained stagnant around 2.3% since 1990, even as our share in low value added items such as yarn, fabrics, made-up articles improved from 2% to 6% between 1990 and 2018.

5. As per the Directorate General of Foreign Trade (DGFT) notification dated 5th August, 2022 Status Certificates issued under Foreign Trade Policy 2015-2020 shall be valid for a period of 5 years from the date on which application for recognition was filed or 30th September, 2022 only, whichever is later.

6. The Director General of Foreign Trade vide Trade Notice dated 1st August, 2022 extended the date for Mandatory Electronic Filing of Non-Preferential Certificate of Origin (NP CoO) through the Common Digital Platform to 31st March, 2023.

7. As per Press Note dated 29th July, 2022 of the Ministry of Commerce & Industry, the percentage share of the textile goods exported in Annual GDP (at Current prices) for last 5 years is as under:

EXPORT & IMPORT

1. According to the preliminary data on India's merchandise trade in July, 2022, released by the Ministry of Commerce & Industry:

- During July, 2022, Indian Textiles Exports have registered de-growth of 24.15% over the previous year, while Apparel Exports registered de-growth of 0.6% during the same time period.
- Cumulative Exports of Textiles and Apparel during July, 2022 have declined by 15.01%.
- During Apr-July, 2022, Indian Textiles Exports have registered de-growth of 10.30% over the previous year, while Apparel Exports have registered a growth of 22.46% during the same time period.
- Cumulative Exports of Textiles and Apparel during Apr- July, 2022 have registered a growth of 2.15%
- Share of T&A has declined to 8.38% in July, 2022 from 10.08% during July, 2021.



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

Product	2017-18	2018-19	2019-20	2020-21-	2021-22
RMG of all Textiles	0.63	0.60	0.55	0.46	0.50
Cotton Yarn/ Fabrics/Madeups etc.	0.39	0.41	0.35	0.37	0.48
MMF Yarn/ Fabrics/Madeups etc.	0.14	0.16	0.14	0.16	0.16

8. The RoSCTL Scheme was launched with the intention of making India's textile industry competitive and bolstering the exports, these changes are acting against the Government's intention of benefitting exporters and are instead benefitting importers. This, in essence, also defeats the very purpose and intent of this Scheme that was perhaps envisioned to promote the Government's policy of 'Make in India, for the World'. Consequently, exporters are looking at losses of Rs 1,500 crore, a number which shall see a steep rise, if the Government does not introduce corrective measures. Given the multi-faceted challenges associated with the RoSCTL, there is an emergent need for the Government to restart cash reimbursements as an alternative.

STATE OF THE INDUSTRY



1. The Index of Industrial Production (IIP) data for the month of June, 2022 were released on 12th July, 2022. The General Index for June, 2022 was 137.9. The comparison of IIP for the period April-June, 2021-22 vis-a-vis April-June, 2022-23 is as under:

Item	Month		Cumulative		Growth
	June 2021	June 2022	Apr-June 2021-22	Apr-June 2022-23	Apr-June 2022-23
General	122.8	137.9	121.3	136.7	12.7 %
Textiles	111.3	108.0	110.4	111.3	0.8 %
Wearing Apparel	110.0	145.2	92.4	139.4	50.9 %

2. The repo rate, the rate at which Reserve Bank of India (RBI) lends money to commercial banks, has been hiked by one half of a percent. Considering the prevailing adverse global environment, resilience in domestic economic activity, uncomfortably high inflation level, the RBI has hiked the policy repo rate by 50 basis points, to 5.40%.

3. According to "Survey of the European Fabric Fairs for Spring/Summer 2023" conducted by the UK-based business information company Textiles Intelligence-developments in advanced mono material fabrics and fabrics made using cellulosic fibres were widespread at the European fabric fairs for spring/summer 2023 as manufacturers continue to improve the recyclability of textile products,. The textile and apparel industry is facing mounting pressures to improve the recyclability of its products in order to move towards a circular economy and these pressures are being exacerbated by the introduction of new EU laws.

4. Speaking at the inauguration of the Gartex Texprocess event in Delhi on 5th August, 2022 the Textile Secretary urged the industry to work on MMF, as apparel brands are globally more tilted towards polyester now. Landfill is a major issue and with textile being one of the most polluting industries, textile companies should do their best for sustainability. Sustainability and circularity in the textile ecosystem also need to be developed.

5. The Government is working to replace Amended Technology Up-gradation Fund Scheme (ATUFS) on the pattern of Production-Linked Incentive (PLI) Scheme. The Ministry of Textiles has circulated the Draft Note among stakeholders of textile manufacturing industry. For their inputs/views/suggestions. ATUFS ended on 31st March, 2022. As per draft concept note issued by the on 3rd August, 2022 new scheme will incentivize indigenous development and manufacturing of textile machinery in line with the Government's flagship initiative Atmanirbhar Bharat and support Modernisation of various Segments and weak links in Textile Value Chain. It will focus on sustainability, compliance, innovation and job creation to improve scale and technology simultaneously.

6. At the Asian Textile Conference (ATEXCON) organised by the Confederation of Indian Textile Industry on 17th August, 2022 Shri Piyush Goyal, Union Textile Minister asked the industry to make best use of the Free Trade Agreements (FTAs) that India is entering into. He said India's textile industry could expand in size to \$250 billion and achieve exports of \$100 billion over the next five-six years, if the industry focuses on innovation, sustainability, digitization, newer products.

The Minister of State for Textiles Smt. Darshana Vikram Jardosh reminded the industry that recently the US imposed a ban on Chinese cotton originating from Xinjiang region, which can increase cotton prices in the international market. Indian industry needs to prepare itself to face the problem of costlier raw materials. Depreciation of Asian currencies including Indian currency has intensified competition between textile exporting countries. Indian textile exporters will have to develop the capacity to face stiff competition.

7. As per CRISIL report, the revenue of the polyester yarn industry grew 60 per cent last year due to massive price hikes on healthy demand. Polyester yarn is used mostly in athletic and leisure wear, home textiles and garments. Operating profitability (difference between prices of polyester yarn and its raw materials) of the industry is also expected to increase by 100 basis points to 11 per cent this year, driven by continued higher capacity utilisation (over 90 per cent) due to demand growth and healthy polyester yarn spread. Demand is seen to remain healthy this year too, with garments and home textiles segments expected to grow at 16-18 per cent and 12-13 per cent this year respectively, driven by recovery in domestic demand and moderate growth in exports. The average spreads rose to a five-year high of Rs. 29 per kilogram last year from Rs. 22 a kilogram in the previous year and should sustain at Rs. 28-29 per kilogram this year. Better profitability and expected modest capital spending will improve credit profiles of yarn makers.

8. The Government has identified textiles as a high emission intensity sector and asked the industry to prepare a roadmap for reducing emission intensity and carbon dioxide by 2030 along with the expected financial implications. India wants to achieve carbon neutrality by 2050 and keep global warming below +1.5 degrees Celsius. India relies heavily on coal and natural gas for electricity and heat production and that increases the carbon footprint of each apparel product.