

# M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF  
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION



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## ASSOCIATION NEWS

The Association made a Representation to the Hon'ble Chairman, Madhya Pradesh Electricity Regulatory Commission on 10th October, 2022 regarding illegal levy of Additional Surcharge @ Re. 1.12 per unit on Rooftop Solar Power Captive use, for which no infrastructure of West DISCOM is used and threatening by West Discom to one of our Member Mill that if they do not pay such charges then power will be disconnected. Due to such action of West DISCOM, our Member Mill has been compelled to deposit these charges under protest.

The Hon'ble Supreme Court of India in Civil Appeal No.5074-5075 of 2019 in the matter of Maharashtra State Electricity & Distribution Company Limited V/s M/s. JSW Steel Limited & Others has ordered that the captive consumers/ captive users are not liable to pay Additional Surcharge leviable under section 42(4) of the Electricity Act, 2003 and the Distribution licensee has to refund the same.

Of late, Jodhpur Bench of Rajasthan High Court has stayed recovery of such additional surcharges from the solar power generation and use by the consumers.

In addition to this, the Hon'ble Madhya Pradesh Electricity Regulatory Commission itself vide its order dated 20th April, 2022 in the Petition No. 49 of 2021 & IA No.08 of 2021 of Grasim Industries Limited and also vide order dated 5th May, 2022 in the Petition No. 53 of 2021 of Kasyap Sweeteners Limited has ordered MPPKVV Company Limited (West DISCOM) not to charge such Additional Surcharges on captive power under Section 42 (4) of the Electricity Act, 2003.

We have requested the Hon'ble Commission to advise all the concerned to follow the decision of Hon'ble Supreme Court and stop charging this Additional Surcharge on captive solar power. The amount of Additional Surcharge and other surcharges recovered from our Member Mill may be ordered to be refunded.

2. On 3rd November, 2022, the Hon'ble Chief Minister, Shri Shivraj Singh Chauhan launched a Project of Rs. 1070 Crore at the Sagar Textile Manufacturers, Tamol Unit (Our Member Mill). Which will provide employment to 3000 persons. **Congratulations.**

## RAW MATERIAL



1. The 2022-23 U.S. cotton supply and demand estimates show slightly lower exports and higher ending stocks compared with last month. Production is virtually unchanged at 118.45 million bales. With World trade projected lower, the export forecast is at 44.61 million

bales, while ending stocks are 84.75 million bales. The 2022-23 season-average price for upland cotton is forecast at 90.0 cents per pound slightly below the financial year 2021-22 record-high price of 91.4 cents. For 2022-23 World balance sheet this month is projected as under :

### 480 lbs.Bales in Million

	2020-21	2021-22	2022-23
Open. Stock	98.99	86.77	85.26
Production	111.47	115.54	118.45
Total	210.46	202.31	203.24
Trade	48.69	42.88	44.61
Consumption	123.13	117.37	118.63
Clos. Stock	86.77	85.26	84.75

2. As per the International Cotton Advisory Committee (ICAC) cotton season 2022-23 faces the Triple Threat: Low Production, Declining Consumption and Market Volatility. Due to catastrophic flooding, Pakistan is expected to see its production decline by 21% from last season and that number could grow as reports of the damage come in. Mean while, US growers faced the opposite type of adverse weather, drought, and it has completely erased the West Texas crop. The effects of Hurricane Ian also have caused damage to the crop in Georgia, the second-largest cotton producing state in the US.

3. Cotton is a global commodity. In any given crop year, when a country or a group of countries suffer adverse conditions, other countries tend to have better weather. In 2022-23, Brazil and Australia are forecast to collect record or near-record harvest. China and India are also projected to grow more cotton than in 2021-22. The net result is that global production is expected to increase year-over-year, despite the problems in the U.S. and Pakistan.

- The December NY/ICE futures contract fell from levels near 105 cents/lb in early September to those as low as 83 cents/lb in early October. After some rebound, prices fell the four cent limit with the release of the latest USDA report to 84 cents/lb.
- The A Index dropped from 124 to 102 cents/lb over the past month.
- The China Cotton Index (CC 3128B) decreased more calmly than NY/ICE futures and the A Index, with values easing from 103 to 98 cents/lb. In domestic terms, prices fell from 15,700 to 15,500 RMB/ton. The RMB weakened against the dollar, from 6.92 to 7.18 RMB/USD.
- Despite dropping sharply over the past month, Indian spot prices (Shankar-6 quality) remain the highest of all benchmarks. Values fell nearly 30 cents/lb between early September and early October, from 139 to 110 cents/lb. The decline was from 86,500 to 71,000 INR/candy in domestic terms. The INR weakened from 79 to 82 INR/USD.



- Pakistani prices fell from 119 to 102 cents/lb. In domestic terms, prices dropped from 22,500 to 18,300 PKR/maund. The PKR traded erratically against the USD but ended the past month stronger (from 230 to 217 PKR/USD).

4. The Cotton Association of India (CAI) in its September, 2022 estimate of the cotton crop for the season 2021-22 beginning from 1st October, 2021 has further reduced its cotton crop estimate for the 2021-22 season by 8.27 lakh bales to 307.05 lakh bales of 170kgs. each from its previous estimate of 315.32 lakh bales of 170kgs. each.

A comparison of Cotton Balance Sheet drawn by CAI for the season 2021-22 and that of Committee on Cotton Production and Consumption (CoCPC) is as under :

	CAI		CoCPC	
	Lakh Bales		Lakh Bales	'000 Tons
<b>Supply:</b>				
Opening Stock	71.84	1,221.28	71.84	1,221.28
Crop	307.05	5,219.85	312.03	5,304.51
Import	14.00	238.00	14.00	238.00
<b>Total</b>	<b>392.89</b>	<b>6,679.13</b>	<b>397.87</b>	<b>6,763.79</b>
<b>Demand:</b>				
Mill Consumption	293.00	4,981.00	280.00	4,760.00
SSI Consumption	19.00	323.00	20.00	340.00
Non-Textile Cons.	6.00	102.00	16.00	272.00
Export	43.00	731.00	43.00	731.00
<b>Total</b>	<b>361.00</b>	<b>6,137.00</b>	<b>359.00</b>	<b>6,103.00</b>
Closing Stock	31.89	542.13	38.87	660.79

From the above comparison, it would be observed that there is a major difference in Mill Consumption and Non-textile consumption estimated by two agencies.

The comparison of State-wise production as estimated by these agencies is as under :

#### Quantity in lakh Bales

State	CAI		CoCPC	
	2020-21	2021-22	2020-21	2021-22
Punjab	10.50	8.50	10.23	6.47
Haryana	22.50	16.10	18.23	13.16
Rajasthan	32.50	25.67	32.07	24.81
Gujarat	91.50	76.30	72.18	74.82
Maharashtra	81.00	75.00	101.05	71.18
Madhya Pradesh	18.50	20.00	13.38	14.20
Telangana	44.00	35.40	57.97	60.67
Andhra Pradesh	16.00	15.00	16.00	17.08
Karnataka	24.00	20.25	23.20	19.50
Tamil Nadu	7.50	9.75	2.43	3.60
Odisha	3.00	2.08	5.51	6.26
Others	2.00	3.00	0.23	0.28
<b>Total</b>	<b>353.00</b>	<b>307.05</b>	<b>352.48</b>	<b>312.03</b>

It would be observed that the production estimates in respect of States of Punjab, Haryana, Rajasthan, Madhya Pradesh, Telangana, Tamilnadu, etc. of two agencies differ too much.

5. At a time when the Central Government is worried about the closure of the 50% of the spinning mills in the Country due to cotton shortages, the production in the October-September cotton year 2022-23 is expected to increase by about 15% provided the weather remains conducive till October end offering relief to the entire cotton value chain. Cotton Corporation of India (CCI), which carries out cotton procurement operations, when prices fall below the Minimum Support Price (MSP), has pegged India's 2022-23 cotton production higher by 15% to 360 lakh bales of 170 kilograms each.

However, the President of Cotton Association of India (CAI) stated on 18th October, 2022 that India is likely to produce 344 lakh bales (including 20.00 lakh bales in Madhya Pradesh) of cotton in the 2022-23 season, up 12% from a year ago as cotton crop area has increased by around 10% and per hectare yields are also likely to rise.

6. Better Cotton farmers have 9% higher yields and 18 % higher profit than conventional farmers. The Thinkstep Report - 2018 on the Life Cycle Assessment of VSS Cotton conducted in Madhya Pradesh revealed a reduction of 50 percent in climate change impact, 59% in blue water consumption, 84 % in ecotoxicity, and 100 % in eutrophication in organic over conventional cotton. Clearly, the VSS cotton growth story in India has already demonstrated its contribution towards the achievement of SDG targets for Zero Hunger (Goal 2), Clean Water and Sanitation (Goal 6), Responsible Consumption and Production (Goal 12), Life on Land (Goal 15), and Climate Action (Goal 16). VSS cotton delivers real, measurable outcomes according to priority indicators as outlined by NITI Aayog, which maps India's SDG goals.

7. At the 1st Meeting of MCX reconstituted Product Advisory Committee meeting (PAC) held on 10th October, 2022 Shri Rajkumar, Chairman, Confederation of Indian Textile Industry (CITI) was unanimously elected as the Chairman of the Committee. An urgent concern of the cotton textile industry has been the unprecedented volatility in raw cotton prices in domestic as well as international markets. In a bid to address the price volatility of cotton, stakeholders from the sector represented the matter to SEBI and MCX with a request to take measures to make the future market more of the market trends and address the concerns arising out of the volatility. For long term solutions, in a joint meeting of SEBI with the MCX and cotton value-chain participants, it was decided that the cotton contract specifications shall be revisited and in consultation with the Product Advisory Committee of the Exchange and others take holders including members of the Textile Advisory Group. MCX had planned to expand the Cotton Product Advisory Committee to include more representation from value chain participants including the textile.

8. On 27th October, 2022, the Union Textiles Minister, Shri Piyush Goyal asked textile manufacturers to start securing cotton to meet demand and urged the industry to discuss the strategy to ensure traceability of cotton and better value of the cotton products. In a meeting with textile industry, he also said that the aim is to achieve \$100 billion textile exports in the next 5-6 years from \$42 billion last year and that if achieved, the economic value of the sector will be \$250 billion collectively for domestic and international.

## POWER

The Energy Department of the State on 3rd October, 2022 amended Penalty Clause of Madhya Pradesh Electricity Duty Rules, 1949. Now, if any Franchisee, Producer, Captive Generating Plant, Generating Company, Consumer or Person commits a breach of any of the provisions of these Rules/Act or intentionally obstructs an Inspector in performance of his duties or exercise of his powers, shall be punishable with a fine, which may extend to Rs. 5,000.



## MAN POWER

1. The Employees Provident Fund Organisation has issued Clarifications on 18th October, 2022 in respect of Admissibility of Assurance Benefits in lieu of Employees Deposit Linked Insurance (EDLI) Scheme. Assurance benefit is not payable in the case, when the member dies after leaving employment and he/she ceases to be an employee. The benefit is payable even in cases where employee is on leave/ without wages and no contribution is payable by employer but continues to be in rolls/ employment.





2. Domestic manufacturers of the labour-intensive textile sector have expressed fear of job loss, if the sharp decline in exports of textile products from India continues. Exports of cotton yarn and handloom products registered a 40% slump in September to \$767.50 million compared to \$1,310.49 million last year. Due to rising input costs and weak demand -- both in the domestic and foreign market -- textile hubs in many States have cut short the number of working days, sparking fears of job loss in one of India's largest employment-generating sector.

## LEGAL & TAXATION

1. On 27th October, 2022 the Central Board of Direct Taxes have issued a Notification extending time for filing Form 26Q for the second quarter of financial year 2022-23 till 30th November, 2022.

2. On 21st October, 2022, the MSME Department of the State has amended MP MSME Industrial Land & Building Management Rules, 2021 permitting sale/transfer of surplus land of working/closed units subject to certain conditions with the approval of General Manager, District Trade & Industries Centre.

3. In a letter to Finance Minister Smt. Nirmala Sitharaman on 2nd October, 2022, the Federation of Indian Export Organisations (FIEO) stated that overseas freights have increased by 300-350% from pre-Covid level and refund of GST through Input Tax Credit comes with a lag of 2-3 months, which affects cash flow. In the absence of exemption from GST with effect from 1st October, 2022 the exporters will have to pay 18% GST on export ocean freight.

4. The Committee on Labour, Textiles and Skill Development has endorsed the need to rationalise duties on raw material inputs to Man-made textiles to correct the inverted duty structure, a year after a similar decision was reversed by the Goods and Services Tax (GST) Council. In its report on the Development of Man-Made Fibre (MMF), the Committee noted that the differential GST structure currently in place at various stages of MMF production is hindering the Indian textile and apparel industry



## EXPORT & IMPORT

1. Analysis of Exports of Textiles & Apparel for the month of September, 2022 is as under:

- During September, 2022, Indian Textiles Exports have registered degrowth of 31.88% over the previous year, while Apparel Exports registered degrowth of 18.06% during the same time period.
- Cumulative Exports of Textiles and Apparel during September, 22 have registered degrowth of 26.67% as compared to September, 2021.
- During April–September, 2022, Indian Textiles Exports have registered degrowth of 16.98% over the previous year while Apparel Exports have registered a growth of 11.42% during the same time period.
- Cumulative Exports of Textiles and Apparel during April-September, 2022 have registered degrowth of 6.26% as compared to same time period of previous year.
- Share of Textiles and Apparel in total merchandise exports declined to 7.14% in Sep., 2022 as compared to 10.21% in September, 2021.

2. The comparative figures of exports of various textile items during the period April- September, 2022 vis-à-vis the same period of the previous year are as under:



Value in US \$ Million

Exports	Apr-Sept 2021-22	Apr-Sept 2022-23	% Change
Cotton Yarn/Fabrics/ Made-ups, Handloom Products etc.	7,294.96	5,793.95	-20.58

MM Yarn/ Fabrics/ Made-ups, etc.	2,687.18	2,584.43	-3.82
Jute Products	229.11	246.34	7.52
Carpets	871.81	710.00	-18.56
Handicrafts, etc.	1,023.48	716.21	-30.02
<b>Textiles</b>	<b>12,106.54</b>	<b>10,050.93</b>	<b>-16.98</b>
<b>Apparel</b>	<b>7,333.88</b>	<b>8,171.77</b>	<b>11.42</b>
<b>Textiles &amp; Apparel</b>	<b>19,440.42</b>	<b>18,222.70</b>	<b>-6.26</b>
<b>All Commodities</b>	<b>1,98,250.72</b>	<b>2,31,876.82</b>	<b>16.96</b>
<b>% Share of T &amp; C</b>	<b>9.81</b>	<b>7.86</b>	

3. The import of raw cotton and waste increased by 620.81% and textile yarn/fabric/made-up articles by 31.96% during the month of September, 2022 as compared to the imports during the same month of the previous year. The details of imports of these products during April- September, 2022 as compared to same period of previous year are under:

Value in US \$ M million

Imports	Apr-Sept 2021-22	Apr-Sept 2022-23	% Change
Cotton Raw & Waste	297.25	1,081.42	263.81
Textile Yarn/Fabrics/ Made-ups, etc.	897.09	1,416.15	57.86

4. Speaking the recently held Annual General Meeting of the Cotton Textile Export Promotion Council (TEXPROCIL) on 30th September, 2022, after assuming charge of the Council as Chairman, Shri Sunil Patwari observed that despite several disruptions in the global supply chain and the lack of demand, Indian cotton exporters demonstrated resilience by maintaining a positive growth trajectory. However, the all-round performance in the exports of Cotton textiles seen last year, has become difficult to sustain during the current year. The sector is still recovering from the pandemic-induced slump of the last year, and has got stuck with supply-side. To achieve incremental growth during the current financial year, the Country should focus on improving value realization rather than volume growth.

5. As per latest statistics released by Ministry of Commerce and Industry, the overall denim fabric shipments are valued at US \$ 223.74 million in April-August, 2022 period, as compared to US \$ 259.28 million revenue earned from exports in the same period last year. There is a clear decline of 13.71 % on yearly basis. Out of total exports, cotton denim fabric constituted around US \$ 132.24 million (down by 15.43 %), whereas poly-cotton (blend) denim fabrics contributed US \$ 91.50 million (down by 11.10 %).

6. The EU has withdrawn the preferential duty access for Indian goods, as there has been an improvement in the income levels and competitiveness in India. Textiles will now attract import duties in the EU at the rate of 12 %. Currently, the most favoured nation import duty is 9.6%. However, all textile products are not covered by the withdrawal of preferred tariff.

7. As per reports, to encourage exporters to participate in the rupee trading mechanism, it is important to ensure that they do not get excluded from various existing schemes, if they earn in rupee. Notifications for the same are likely to be issued very soon. The Commerce Ministry, Finance Ministry and the RBI are in talks on the matter. Exporters, through various representations, have been stressing on the need for clarity on continuation of various schemes such as the Remission of Duties and Taxes on Exported Products (RoDTEP). They have also sought acceptance of export obligation in Indian rupee for items imported under various schemes. The Government is mostly of the view that these are valid expectations that need to be met.

8. The Central Board of Indirect Taxes and Customs (CBIC) on 17th October, 2022 clarified that electronically generated Certificate of Origin (CoO) issued by the UAE authority is a valid document for claiming customs duty benefits under India-UAE free trade agreement. However, it said that the certificate has to be issued in a prescribed format bearing electronically printed seal and signatures of the authorised signatory of the issuing authority.

## STATE OF THE INDUSTRY



1. The Index of Industrial Production (IIP) data for the month of August, 2022 were released on 12th October, 2022. Textiles is among the worst hit sectors as per the Index of Industrial production (IIP) for August, 2022. The index of manufacture of textiles, wearing apparel and leather and

related products recorded a double digit hit in the period under review. The data confirms what the textile value chain has been facing in the last couple of months. Analysis of the IIP data revealed that the manufacture of textiles index fell to 105.5 in August, 2022 from 120.2 in August, 2021. The cumulative index also came down from 113.8 to 109.3. The industry has recorded a negative growth of 12.2 percent in August and 4 per cent in April-August, 2022. The apparel index slipped by 18.3 per cent to 117.7 in August, 2022 from 144.1 in the corresponding period of last year. However, cumulative index managed to register a growth of 26.6 per cent to reach 136.2 from 107.6 of August, 2021

Item	Month		Cumulative		Growth Apr-Aug 2022-23
	August 2021	August 2022	Apr-Aug 2021-22	Apr-Aug 2022-23	
General	132.4	131.3	125.6	135.3	7.7 %
Textiles	120.2	105.5	113.8	109.3	-4.0 %
Wearing Apparel	144.1	117.7	107.6	136.2	26.6 %

2. The Standing Committee on Labour, Textiles and Skill Development in its Report on the Man-Made Fibres (MMF) was informed by the Textile Ministry that out of 67 applicants, 64 projects with a proposed investment of Rs 19,798 crore were approved by a Selection Committee under the Production Linked Incentive (PLI) Scheme. While Gujarat saw the highest number of proposed projects (13), Madhya Pradesh cornered the highest amount of proposed investment of Rs 3,513 crore. The Government approved the PLI Scheme for textile products in September, 2021 with an aim to promote MMF apparel, MMF fabrics and products of technical textiles and to enhance manufacturing capabilities and exports from the Country of select MMF products with an approved outlay of Rs 10,683 crore.

3. The Textiles Committee (TC) has entered into a Cooperation Agreement with United Nations Environment Programme (UNEP) on "Mainstreaming Sustainability & Circularity in the Textiles and Clothing (T&C) Sector" to minimize the negative environmental impacts of the Indian textile industry by promoting sustainable practices, where these exist and main streaming knowledge of circular production best practices in the textile and apparel sector.

4. Confederation of Indian Textile Industry (CITI) submitted a representation to the Textile Commissioner, Ms. Roop Rashi in respect of the settlement of cases under previous versions of Technology Up-gradation Fund Scheme (M-TUFS, R-TUFS & RR-TUFS) in reference to the decisions taken in the Meetings of Inter-Ministerial Steering Committee (IMSC) under the Amended Technology Upgradation Fund Scheme (ATUFS) held on 28th April, 2022 and 22nd July, 2022. CITI pointed out that the textile mills have been facing issues to track old documents (more than a decade) and has suggested that since the National Banks have been the lending agencies and custodians of the documents pertaining to old cases (TUFS, M-TUFS, R-TUFS & RR-TUFS), the required documents can be obtained from these nationalized banks. The textile mills had submitted all the relevant

documents to the Banks for determining their eligibility, while getting sanction of their loans. Hence, sourcing such documents from these National Banks should be desirable.

5. According to Shri Chintan Thaker, Chairman, ASSOCHAM Gujarat State Council, global textile and apparel brands are slashing their inventory. This is especially true in Europe, the UK and even in the US, where inflation and economic slowdown have hampered demands. A cascading effect is consequently seen on exports too. Even though the dollar has appreciated, raw material costs have been the bane of Indian manufacturers, especially due to the high price of cotton, which touched a peak of Rs. 1. 10 lakh per candy (356kg). Dyes and chemical prices too increased meanwhile. To stay competitive, industries have typically thinned their margins and absorbed possible costs. While the higher realizations on past contracts are definitely aiding exporters, the added realization is not helping much with revenues. Moreover, with lesser demand in key export markets, it does not make a significant difference.

6. The MSME Ministry notified on 19th October, 2022 that in case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all non-tax benefits of the category (micro or small or medium) it was in before the re-classification, for a period of three years from the date of such upward change.

7. While interacting with Textile Industry representatives on 27th October, 2022 Shri Piyush Goyal, Textile Minister said major growth of textiles will come from Man-Made Fibre. He was confident and called upon the industry representatives that we should aspire to reach a stage where the entire demand is fulfilled by domestic supply thus making the industry Atma Nirbhar. This will secure the raw material availability to lakhs of weavers involved in the polyester value chain, thereby leading to enhanced production of finished goods, enabling realization of the export target to 100 billion USD in 5-6 years.

8. According to the 16th International Textile Manufacturers Federation, the business situation of the global textile industry in September 2022 was relatively the worst in Asia despite improvements. The indicators for order intake, order backlog, and capacity utilisation rate also fell globally. While all segments found themselves in negative situations, spinners' situation have plunged to an unprecedented level. A positive sign for the future is that global expectations have stopped falling in September, 2022, albeit staying in negative territory and therefore, indicating difficult times ahead.. Fibre producers registered a steady decrease in capacity utilization rate and home textile producers seem to have reversed their downward trend. Weakening demand, high raw material prices, high energy prices, and inflation are the four major concerns of the global textile industry for the next 6 months.

9. Global Investors Summit (GIS) 2023 – a flagship investment promotion event of Government of Madhya Pradesh is scheduled on 11th and 12th January, 2023 at Brilliant Convention Centre, Indore.

10. Ms. Rachna Shah, IAS has been posted as Secretary, Ministry of Textiles w.e.f. 1st November, 2022 on retirement of Shri U P Singh.