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**INDEPENDENCE
DAY
GREETINGS**



The report stated that global cotton consumption is likely to increase to 116.45 million bales, up from 109.77 million bales of the previous year. The opening stock will be 93.95 million bales in 2023-24, compared to the opening stock of 86.04 million bales last year. The closing stock is estimated at 94.52 million bales for the next year. It was estimated at 93.95 million bales during the last year. The report estimated that the global cotton export will rise to 43.51 million bales from 37.56 million bales last year.

The report indicated that India's opening stock may increase to 11.6 million bales in 2023-24, compared to the last opening stock of 8.60 million bales. However, cotton production is estimated to decline from 26 million bales to 25.50 million bales. India's consumption may increase to 24.50 million bales from 23.50 million bales of the current year. India's export is likely to increase to 2.20 million bales from 1.25 million bales this year.

China's production is projected to decrease to 27 million bales from 30.70 million bales of last year. Consequently, its import could jump to 9.75 million bales from 6.35 million bales. China's consumption may also rise to 37 million bales from 36.50 million bales. Cotton production in the US may increase to 16.50 million bales from 14.47 million bales of last year. Its export could go up to 13.75 million bales next year from 12.90 million bales of the previous year.

Million 480 Pound Bales

	2021- 22	2022-23	2023-24
Op. Stock	86.32	86.04	93.95
Production	115.66	117.97	116.84
Import/Export	42.62	37.11	43.49
Consumption	116.00	109.77	116.45
Clos.Stock	86.04	93.95	94.52

2.The International Cotton Advisory Committee's (ICAC) specialty cotton report suggests that for the 2022-23 season, almost all significant producers are anticipated to register higher yields of ELS and LS cotton. It expects that the global production of Extra Long Staple (ELS) and Long Staple (LS) cotton may rebound in 2022-23 after a drop of over 20 per cent during 2021-22. Last year, ELS and LS cotton production was estimated at 3.08 lakh tons. According to a recent report, ICAC predicts production could increase by 40 per cent, reaching 4.31 lakh tons. Major consumers of ELS and LS cotton globally include India, Pakistan and China, which collectively consume more than 80 per cent of World production.

3. The National Crop Committee of Cotton Association of India (CAI) in its Meeting held on 10th July, 2023 based on the inputs received & after extensive deliberations, estimated the cotton production at 311.18 lakh bales.

ASSOCIATION NEWS

1.A Representation was sent to the Principal Secretary, Energy Department of the State on 10th July, 2023 whereby the State Government is requested to clarify that in future surcharges will not be levied on roof top solar power generation for captive use, whether it is installed under CAPEX or OPEX. Hon'ble Prime Minister and Central Government are focusing on ambitious target of net zero greenhouse gases emission by 2070. This would be possible only when Government supports industries to go for renewable sources of energy, like solar energy etc. without imposition of any surcharge or levy. We hope the Government would understand the matter and issue such Guidelines applicable to roof top solar power generation for captive use installed under CAPEX or OPEX for the benefit of the industry, which will boost investment in the sector and generate more employment.

2. A Representation was sent to the Hon'ble Chief Minister of the State with copies to the Minister of Industrial Policy & Investment Promotion and Minister for MSME apprising them that the system of monthly revision of Fuel & Power Purchase Cost Adjustment Surcharge (FPPAS) has put the industry in a position that it is not in a position to assess its power costs in advance and unable to offer competitive prices for finished products. The power costs were increased by 3.2% by the Regulatory Commission from April, 2023 and the Power Management Company is every month increasing the rates without any regulatory approval. Earlier the Fuel Cost Adjustment (FCA) charge was revised every quarter and was a nominal amount, which is now revised every month and is percentage of energy charges. Revision in the months of April, May and June, 2023 have been 5%, 8.41% and 6.16% respectively, which is very high. It is against the policy of Ease of Doing Business and has become a roadblock in development of industry and employment. It has therefore, been requested to switch over to the earlier system of quarterly FCA, which will provide relief to the Industry.

RAW MATERIAL

1.The US Department of Agriculture (USDA) has estimated on 12th July, 2023 that World cotton production may drop to 116.84 million bales of 480 pounds/218 kg during the year 2023-24. Last year, the production was pegged at 117.97 million bales. In its report, the USDA projected lower global exports and higher beginning and ending stocks of cotton in the year 2023-24.



The figures of cotton production for the season 2022-23 as estimated by CAI vis-à-vis as assessed by Committee on Cotton Production and Consumption (CoCPC) of the Ministry of Textiles are as under:

Lakh Bales of 170 Kgs. each

State	CAI 10.07.23	CoCPC 01.06.23	Pressed till 31.05.23*
Punjab	2.50	4.60	2.43
Haryana	11.00	10.00	8.84
Rajasthan	28.75	27.74	27.68
Gujarat	92.00	94.97	83.24
Maharashtra	80.00	84.09	70.54
Madhya Pradesh	19.50	17.22	17.95
Telangana	30.00	53.13	28.62
Andhra Pradesh	15.00	15.79	13.50
Karnataka	21.00	25.41	19.90
Tamil Nadu	5.00	3.56	3.10
Odisha	3.43	6.65	3.43
Others	3.00	0.31	2.75
Total	311.18	343.47	281.98

*As per CAI.

4. Shri Ramanuj Das Boob, a key Member of the National Cotton Brokers Association (NCBA) has pegged the crop estimated for the current season (October 2022-September 2023) at 329.72 lakh bales (170 kg each) compared with 312 lakh bales last season. The estimate is based on arrivals until June-end and was finalized at the Association's meeting over Zoom on 8th July, 2023. The Association projected total cotton arrivals till June, 2023 end at 295.65 lakh bales compared with 300 lakh bales, higher than ICA estimate. The cotton production picture has been hazy this year resulting in the crop estimate varying from 298 lakh bales to 360 lakh bales. This is because growers tended to hold back their produce this year after they were unable to fetch the high prices witnessed last season.

5. According to Ministry of Agriculture & Farmers Welfare, Cotton has been sown in an area of 116.75 lakh hectares till 28th July, 2023 against 117.91 lakh hectares during the same period last season. Higher area is reported from Rajasthan 1.38 lakh hectares and Madhya Pradesh 0.44 lakh hectares. Lower area is reported in Maharashtra, Karnataka, Andhra Pradesh, Punjab and Tamil Nadu.

6. The Cotton Association of India (CAI) has planned to undertake a survey to assess cotton consumption in India. It is need of the hour and such a survey would greatly help the value chain participants to take better and informed decisions in their day-to-day operations. The survey will commence in August 2023, jointly with CITI and SIMA or independently to arrive at more accurate cotton consumption in India.

7. According to reports, India's cotton exports will likely decline to a 19-year low this crop season (October, 2022- September, 2023) on poor demand from importing nations, largely driven by the economic slowdown in the US and Europe. CAI says cotton prices are likely to touch Rs 75,000 per candy by the middle of this year. The prices generally range between Rs 35,000-55,000 per candy.

8. The Director General of Foreign Trade (DGFT) vide Public Notice dated 10th July, 2023 has revised the HSN codes for cotton under India-Australia ECTA TRQ in sync with the Ministry of Finance Notification No 38/2023 Customs dated 23rd May, 2023 by substituting HSN 52010020 with 52010024 and 52010025.

9. The Confederation of Indian Textile Industry (CITI) and the Southern India Mills' Association (SIMA) have demanded the Centre to remove the 11% import duty levied on cotton, resolve QCO (Quality Control Order) issues and make raw materials available at international prices. The impact is an 18% drop in total T&C exports, 50% drop in yarn exports, and a 23% drop in cotton textiles exports, when compared to last year. The high volatility in cotton prices and speculation of trade have made the spinning sector erode huge working capital as cotton prices have crashed from Rs 63,000 per candy of 356 kg in April to Rs 56,000 per candy in July. With the current cotton prices, mills are incurring losses to the tune of Rs 10-20 per kg of yarn.

10. A meeting of the MCX Cotton Product Advisory Committee (PAC) was held on 25th July, 2023. The meeting was attended by various stakeholders of the cotton value chain. During the meeting following decisions were taken:

- Trading units were reduced to 25 bales from 100 bales earlier to have more participation from industry and farmers.
- Delivery units will be retained at 100 bales only.
- There is a need for greater promotion and awareness of MCX cotton contracts among the users so that it can be used as an effective hedging platform.

Accordingly, CITI is planning to organize an informative webinar for the users.

11. The Ministry of Chemicals & Fertilizers has extended applicability of following Quality Control Order on 17th July, 2023:

- 100% Polyester Spun Grey and White Yarn - IS 17265:2019
- Polyester Partially Oriented Yarn - IS 17262:2019
- Polyester Continuous Filament Fully Drawn Yarn - IS 17261:2019

These Quality Control Orders will come in to force from 5th October, 2023. However, the Polyester Textile Apparel (PTA) Industry Association has stated that the notification of extension has opened flood gates for imports by traders. The logic of the extension is beyond comprehension as QCO have been implemented on PTA, which is the key raw material for polyester and is in short supply in India.

POWER

M P Power Management Company has advised DISCOMs to recover Fuel & Power Purchase Adjustment Surcharge (FPPAS) @ 3.15% on energy charges only for one month commencing from 24th July, 2023.



MAN POWER

1. In a Meeting of the Empowered Committee for Scheme for Capacity Building in Textiles Sector (SAMARTH) held on 11th July, 2023, the panel of implementing partners has been broadened with empanelment of 43 new implementing partners and additional target of training around 75,000 beneficiaries. The Funding pattern has also been revised with an increment of 5% in cost norms, which will give much needed additional financial support to industries imparting skill under this Scheme. The Ministry has partnered with 157 Textile Industries / Industry Associations, 16 Central / State Government Agencies and 3 Sectorial Organizations of the Ministry for undertaking training programmes under SAMARTH. 1,83,844 beneficiaries trained across 1880 centres under the Scheme for Capacity Building in Textile (including 3691 beneficiaries at 41 centres in Madhya Pradesh), which consist more than 85% of the beneficiaries being women. More than 70% of the beneficiaries trained have been provided placement.



2. Direct Benefit Transfer (DBT) under the National Apprenticeship Promotion Scheme (NAPS) has been implemented from 1st July, 2023. This transition involves significant changes:

- New Contracts: All new NAPS contracts will be DBT-based, with stipends directly transferred to apprentices.
- Ongoing Contracts: Establishments may choose DBT or non-DBT for ongoing contracts.
- Exclusion: Central and State Government Departments and PSUs will have non-DBT contracts.
- Reimbursement: Establishments with NAPS contracts can claim reimbursement for stipends paid until 30th June, 2023.

3. The Employees State Insurance Corporation proposes to extend Atal Beemit Vyakti Kalyan Yojna for the period 1st July, 2022 to 30th June, 2024, for which objections/suggestions have been invited on 11th July, 2023 and to be submitted within 30 days.

4. Employees Provident Fund Organization has declared interest @ 8.15% payable on accumulation in accounts of its subscribers for the year 2022-23.



LEGAL & TAXATION

1. The following decisions were taken at the 50th GST Council meeting held on 11th July, 2023, for which orders were issued on 17th/26th July, 2023:

- Amnesty Scheme notified vide notifications dated 31st March, 2023 regarding non-filers of Form GSTR-4, Form GSTR-9 & Form GSTR-10 returns and revocation of cancellation of registration, is now extended till 31st August, 2023.
- The special procedure regarding mismatch in ITC availed in GSTR-3B and 2A is now extended for two more years i.e 2019-20 and 2020-21.
- The Relaxations that were provided in financial year 2021-22 in respect of various tables of Form GSTR-9 and Form 9-C to be continued for financial year 2022-23 as well.
- Tax rate for Zari thread or yarn known by any name in trade parlance has been reduced to 5% from 12%.
- GST Tribunal is to be operational within 4-6 months in a phased manner at State capitals.
- System-based intimation to the taxpayers in respect of the excess availment of ITC in Form GSTR-3B vis –a-vis that made available in Form GSTR-2B.
- Refund of accumulated Input Tax Credit (ITC) to be restricted to ITC appearing in Form GSTR-2B.

2. To discuss the tax anomalies in the textile industry which are hindering its growth, NITI Aayog conducted a stakeholders meeting in hybrid mode on 21st July, 2023 under the Chairmanship of Senior Adviser (Industry), NITI Aayog. The major tax-related anomalies and suggestions that were discussed during the meeting are:

- Import duty on cotton, inverted duty structure in MMF Textile value chain, textile processing & job work, import duty on textile machineries;
- Increasing the BCD on MMF yarn from the existing 5% to 10% to check the rising imports;
- Not to change any tax-related policy in between of financial year and policies should be maintained for the entire financial year;
- Check rising imports of apparel from countries like Bangladesh, Sri Lanka, etc.;
- Exempt job works in the MSME sector from the purview of GST;
- Reduce GST on airfares as higher GST is making airfare uncompetitive as compared to other modes of logistics.

3. The Income Tax Appellate Tribunal, New Delhi in the matter of the A.C.I.T. Central Circle, New Delhi v/s M/s Shahi Exports Pvt. Ltd., New Delhi has held that interest reimbursement under Technology Upgradation Scheme is capital Receipt.



- During June, 2023, Indian Textiles Exports registered negative growth of 6.48 % over the same months of the previous year, while Apparel Exports registered negative growth of 16.87 % during the same time period.
- Exports of Textiles and Apparel during June, 2023 have registered negative growth of 11.30 % over June, 2022.
- Share of T&A has increased to 8.71% in June, 2023 from 7.66% in June, 2022.
- During Apr-June'23, Indian Textiles Exports registered negative growth of 13.23% over the previous year, while Apparel Exports registered negative growth of 17.72% during the same time period.

According to Shri T. Rajkumar, Chairman, Confederation of Indian Textile Industry (CITI) factors such as slowdown in the U.S. and EU and lack of cost competitiveness were affecting textile and clothing exports. The yarn that should be exported is coming into the domestic market. There is already excess spinning capacity in the Country.

2. The import of raw cotton and waste decreased by 24.27 %, whereas import of Textile yarn, fabrics, made-ups decreased by 33.72 % in June, 2023 as compared to the same month of the previous year. The details of imports in April-June, 2023 as compared to the same months of the previous year are under:

Value in US\$ Million

Imports	April-June, 2022	April-June, 2023	% Change
Cotton Raw & Waste	274.60	198.47	(-) 27.72
Textile Yarn/Fabrics/ Made-ups, etc.	663.38	518.70	(-) 21.81

3. The segment wise export of Technical Textiles during April-May, 2023 vis-a-vis April-May, 2022 have been as under:

Value in US\$ Million

Segment	April-May, 2022	April-2023	Growth %
Agrotech	12.3	15.7	28.0
Buildtech	1.2	0.7	(-)37.0
Clothtech	11.2	10.8	(-)3.0
Geotech	2.1	2.4	15.0
Homotech	14.3	15.1	6.0
Indutech	136.1	129.2	(-)5.0
Meditech	36.3	39.1	8.0
Mobitech	27.4	35.2	29.0
Packtech	204.4	147.8	(-)28.0
Protech	9.9	19.3	95.0
Sportech	3.8	4.5	19.0
Speciality Fibre	0.0	4.4	0.0
Total	458.7	424.1	(-)8.0

- Protech was the fastest growing segment during Apr - May, 2023 as compared to Apr - May, 2022, with a growth rate of 95%.
- Mobiltech segment showed a growth rate of 29%, followed by Agrotech (28%), during Apr - May, 2023 as compared to Apr - May, 2022.
- Homotech segment has shown a significant growth of 6%. This segment has been showing a declining trend for the last financial year.
- Packtech and Indutech are the largest exported products with an exports value of US\$ 147.8 million and US\$ 129.2 million. During Apr- May, 2023, respectively. However, the Packtech and Indutech segment's exports have shown a decline of 28% and 5%, respectively.

4. The Director General of Foreign Trade (DGFT) on 17th July, 2023 simplified norms for exporters to avail benefits of Advance Authorization Scheme, under which free imports of input materials for export purposes are allowed. This comes in the backdrop of declining merchandise goods exports that fell for the fifth consecutive month in June amid demand slowdown in the west and China.

EXPORT & IMPORT

1. The Central Government released the information relating to exports for the month of April-June, 2023 on 15th July, 2023. There has been overall negative growth in all the segments of the textile industry. The information relating to textile and apparel exports is as under:

Value in US\$ Million

Exports	April-June, 2022	April-June, 2023	% Change
Cotton Yarn, Fabric Madeups, Handloom Products	3,164.19	2,758.30	(-)12.83
MM Yarn, Fabric Made-ups, etc.	1,328.29	1,160.73	(-)12.61
Jute Products	130.71	94.60	(-)27.63
Carpets	382.06	326.17	(-)14.63
Handicrafts, etc.	464.41	406.08	(-)12.56
Textiles	5,469.66	4,745.88	(-)13.23
Apparel	4,490.66	3,694.71	(-)17.72
Textiles & Apparel	9,960.32	8,440.59	(-)15.36
All Commodities	1,20,982.45	1,02,677.37	(-)15.13
% Share of T & C	8.23	8.22	

STATE OF INDUSTRY

1. The production of textiles is measured by the Index of Industrial Production, which has seen a continuous decline since March, 2022. As per the IIP data released by the National Statistical Office (NSO), the manufacturing

sector's output grew 5.7 % in May, 2023 against a 20.7 % expansion a year ago.

The index for manufacture of textiles, which was 111.5 in May, 2022 fell to 107.4 in May, 2023 showing a decline of 5.1%. The Wearing Apparel Index too fell to 112.7 in May, 2023 from 142.4 in May, 2022 recording a negative growth of 24.8 %.The details of IIP are as under:



Items	For the Month		Cumulative		% Growth
	May 2022	May 2023	Apr-May 2022-23	Apr-May 2023-24	
General	137.8	145.0	136.2	142.8	4.8%
Textiles	111.5	107.4	112.8	107.1	-5.1%
Wearing Apparel	142.4	112.7	135.9	102.2	-24.8%

2. According to a recent research note published by ICRA, demand for India's domestic cotton spinning industry is expected to improve by close to 10 % year-on-year (YoY) in volume terms in financial year 2023-24. This growth is anticipated due to shifting preferences away from Chinese cotton and an expected rise in demand for the spring/summer season in the USA and EU regions. However, an expected moderation in cotton prices will lead to lower realisation, which is likely to translate to a 7 % year-on-year (YoY) decline in revenues to approximately ₹ 34,000 crore in 2023-24. While the cash accruals of players are expected to decline marginally, ICRA expects the spinners' borrowings to come down too. Lack of any major capital expenditure plan along with lower working capital requirements, because of the softening in cotton prices, are likely to lower the debt levels and improve the capital structure for companies.

3. According to a report by Care Edge Ratings released on 13th July, 2023 Indian cotton yarn industry is likely to witness 5-7% year-on-year growth in sales volume, while the operating margin is expected to expand by 100-150 bps in 2023-24. Indian cotton yarn exports hit a decade-low level of 6,64,000 tons in 2022-23, compared to the highest exports of 13,89,000 tons in 2021-22. "Demand for cotton yarn in 2021-22 was strong, driven by downstream demand for home-textile products and the advantage of lower domestic cotton prices compared to international prices. Further more, America's ban on cotton products from China's Xinjiang region redirected some of the demand from China to other countries, including India. This increased demand also led to an elevated cotton yarn spread of around ₹125 per kg in 2021-22, which was 25-30% higher than the historical average. However, this is set to reverse albeit in the second half of fiscal 2023-24, the parity with international cotton prices will enhance the competitiveness of Indian cotton yarn.

Secondly, there is a shift in demand from competing nations, which can create opportunities for Indian exporters. Additionally, the gradual relaxation of China's zero Covid policy is anticipated to improve demand from China.

4. The textile yarn market is projected to experience significant growth, reaching US \$ 18.5 billion by 2028, driven by factors such as global population growth and urbanisation. With a promising CAGR of 5.1 %, the increasing demand for apparel and the dominance of the chemical segment and China in the Asia-Pacific region are expected to contribute to this expansion.

Turkey and India are anticipated to register the highest compound annual growth rates (CAGRs) during the forecast period. Asia-Pacific is set to dominate the textile yarn market, while the artificial segment is expected to account for the largest market size.

Additionally, the apparel segment is projected to hold the largest market size throughout the forecast period.

5.As per reports, the industry bodies said that the Country currently has over 30% excess capacity across the textile value chain, especially in the capital-intensive sectors like spinning and weaving. The banks have given red alerts to most of the textile units across the Country owing to the unforeseen financial stress. The repayment for the short-term loans extended during the COVID-19 period has significantly increased the financial burden of the textile industry.

6. The global polyester filament yarn market is expected to reach USD 106.23 Billion by 2030, according to a new Report by Reports and Data. The growth of the market is attributed to the increasing applications of polyester filament yarns amongst the end-users. The increasing use of polyester filament yarn in the textile industry is likely to drive the growth of the market in the upcoming years. The polyester filament yarns possess good elasticity, shape retention, wrinkle resistance, exceptional wash & wear performance, wash ability, and longevity, among others, and as a result, finds extensive application in various types of apparel fabrics. It is used to make fashionable dresses, weather-resistant clothing and is a preferred material for children's wear.

7. In view of the requests from the Industry stakeholders', Ministry of Textiles has decided to re-open the Production Linked Incentive Portal till 31st August 2023 for inviting applications from interested companies under PLI Scheme of Textiles for MMF Apparel, MMF Fabrics and products of Technical Textiles.

8.Union Minister for Textiles, Shri Piyush Goyal discussed the roadmap to achieve the target of \$250 billion textiles production and \$100 billion exports by 2030 during the Chintan Shivir organized by the Ministry of Textiles on 19th July, 2023. He emphasized on holistic approach towards making the Textiles sector more vibrant so as to prepare to take on global competition .Brainstorming sessions were held on five themes namely - Promoting Exports; Investment Building Size and Scale; Sustainability; Shift from Natural to Man Made Fibre and Improving Service Delivery.

9.According to the ITMF's Global Textile Industry Survey (GTIS) conducted in the first half of July, 2023, the business situation improved on average worldwide in July 2023 despite remaining negative. An increasing number of companies have adapted to the harsh business environment and are now reporting improvements. A regional analysis shows that Asia is struggling the most and South America is back in positive territory. The global business expectations did not change since March, 2023. All regions remain optimistic about the situation in 6 months-time, except for East Asia. Weavers / knitters and dyers / finishers / printers are two segments, where the expectations have turned negative. Order intake remains negative in all regions and all segments despite a slight increase recorded in July, 2023. Garment, home textile and technical textile producers have registered significant improvements, though the balance stays negative. Order backlog fell to the lowest level recorded in the GTIS.

10. The Confederation of Indian Textile Industry (CITI) is organizing the 11th edition of Asian Textile Conference (ATEXCON) on 1st & 2nd September, 2023 in Hotel Radisson Blu, Coimbatore, Tamil Nadu. The Theme of the 11th ATEXCON is "2025 and Beyond – Asia, the Global Hub for Textile Manufacturing & Consumers". There is no participation fee for attending the Conference. However, participation will be regulated through mandatory registration.