

M. P. TEXTILE NEWSLETTER

THE MONTHLY NEWS LETTER OF
THE MADHYA PRADESH TEXTILE MILLS ASSOCIATION



Chairman:
Shri Shreyaskar Chaudhary;

Vice Chairman:
Shri Siddharth Agrawal;

Dy. Chairmen:
Shri Subhash Jain
Shri Tarun Baldua

Volume XIX No. 8

Indore, March 2024 • Pages 4

Price Rs. 5/-

ASSOCIATION NEWS

1. A Representation was submitted to the Additional Chief Secretary, Department of Agriculture of the State on 13th February, 2024 regarding potential repercussions of a Primary Investigative Note (PIN) circulated by Transperntum Limited, a U S based non-profit organization in November, 2023 related to supply chain of some of Indian Companies, based in the State, supplier of high quality cotton based textile products. This agency has made serious allegations related to labour rights violations, etc. We have requested for intervention in the matter as deemed fit.

2. Pratibha Syntex Limited was awarded CITI Birla Economic & Textile Research Foundation Award – 2024 for (i) Best Practices Adopted by Textile Mills especially in Social Responsibility & Green Practices and (ii) Best HR Practices at the hands of Union Textile Minister, Shri Piyush Goyal & Minister of State for Textiles Smt. Darshna Jardosh. The Awards were received by Shri Shreyaskar Chaudhary, Mg. Director of the Company (our Chairman) on 26th February, 2024 at New Delhi. Congratulations.



RAW MATERIAL

1. As per International Cotton Advisory Committee (ICAC) release dated 1st February, 2024, the World cotton production, consumption, import/export etc. have been projected as under:



	Unit	2021-22	2022-23	2023-24
Area	'000 Hectare	32715.53	32202.20	31929.48
Yield	Kg/Hect are	771.70	771.50	766.70
Production	'000 tons	25246.58	24843.94	24480.37
Consumption	'000 tons	25842.84	23677.27	23762.27
Import/Export	'000 tons	9612.14	8063.36	8920.70
Closing Stock	'000 tons	19934.86	21225.03	22011.60

The current price forecast of the season average A Index for 2023-24 ranges from 81.02 cents to 103.61 cents with mid point at 90.88 cents per pound. Geopolitical unrest in the Red Sea area has driven shipping prices significantly higher in recent months, with trade routes between West Africa and Asia and between Europe and Asia being impacted the most. Other negative impacts include: longer delivery times due to the rerouting of ships could lead to order delays and cancellations. Higher shipping costs will add to the already-high inflation. Products will take longer to reach the markets — an especially big problem for seasonal textiles and apparel.

2. According to the U.S. Department of Agriculture's (USDA's) first World Cotton Outlook 2024-25 dated 16th February, 2024, global cotton projections anticipate that World production will slightly exceed consumption, raising global stocks by 900,000 bales. World cotton area is expected to rise about 1 percent and production by 3 percent, with the United States accounting for virtually the entire increase in World production. Global cotton consumption growth is anticipated to increase following seasons of decline and slow growth, as World textile supply chains continue to recover from recent shocks. China's imports are projected to remain high as the World economy continues relatively steady growth and China's cotton production declines. The A-Index is forecast to rebound modestly after falling for two years to average 97.5 cents per pound.

India saw cotton area decline slightly in 2023-24, down 200,000 hectares to 12.7 million, a level mid-way between the averages achieved in the previous 5 and 10 years. India's 2023-24 monsoon started slightly late, and rainfall was uneven in July, and deficient across many cotton producing states in August. With precipitation significantly above average in September, the monsoon's total rainfall was only slightly below average, but the uneven distribution during the season suggested cause for concern about yield performance. Additionally, reports emerged of bollworm problems in Northern India, but the majority of the Country seems to have escaped significant pest problems in 2023-24. USDA estimates that yields fell 3 percent from the year before in 2023-24 to about the level reached in 2021-22, and representing a considerable decline from the levels reached a decade earlier. At 25.0 million bales, the crop is forecast down 1.3 million bales from the year before, and below previous averages.



3. Cotton Outlook's forecast of global raw cotton output in 2023-24 for February, 2024 has been increased by 362,000 tons to 24,501,000 tons. Production forecast for India is 5,270,000 tons.

4. Cotton Corporation of India (CCI) has projected a production of 316 lakh bales (170 kg each) in the 2023-24 marketing year (October to September) – a drop of around 6 percent from the previous year. So far, around 213.83 lakh bales (26th February, 2024) have arrived in the market. The decline is expected more in the northern region, especially in Punjab. The output in Gujarat and Maharashtra has been good though late rains in the later may cause a problem. The Corporation expects demand to be around 311 lakh bales. However, the Cotton Association of India (CAI), has pegged production for the year at 294.10 lakh bales -- an 8 percent fall from the 318.9 lakh bales, it had predicted in the previous year on concerns of irregular weather conditions.

5. The Standing Committee on Labour, Textiles and Skill Development on 7th February, 2024 proposed an umbrella policy for the cotton sector and comprehensive measures for reviving to offset potential export value declines. The Committee advised incentivizing cotton farmers instead of scrapping import duties. On the Government's decision to exempt all cotton imports from customs duties, the Committee said it might lead to an inflow of cheap cotton from other countries. It asked the Ministry to commission a comprehensive study on the issues relating to production, productivity, soil system, and should contemplate for bringing more area of cotton cultivation under irrigation.

6. As per reports, India's cotton exports are poised to reach a two-year high in February, 2024 driven by a surge in global prices, which has made Indian cotton particularly attractive for buyers in Asia. Traders have already inked contracts to export 4,00,000 bales (68,000 metric tons) of cotton in February, 2024 marking the highest level since February, 2022. Major destinations include China, Bangladesh, and Vietnam. Indian cotton is currently the most competitively priced in the global market, attracting buyers with its affordability. Projections suggest that India could export around 2 million bales during the 2023-24 marketing year, exceeding earlier expectations of 1.4 million bales. Higher export can impact the spinning units badly though it may result in some relief for the farmers. While the picture will be clearer after the month of May, the spinning units, already functioning below their capacity, will have to further cut back on installed production capacity.

POWER

MP Power Management Company has advised DISCOMs to bill to the consumers Fuel & Power Purchase Adjustment Surcharge (FPPAS) @ Zero (0) percent on energy charges only for one month commencing from 24th February, 2024. Actual FPPAS for the month is 3.00%, which has been adjusted against the pending credit of earlier months, leaving a credit of 5.75%.



MANPOWER

1. The Employees State Insurance Corporation (ESIC) on 5th February, 2024 advised all employers to download e-Pehchaan Card from ESI Portal and hand it over to their respective employees/Insured persons immediately after registration under ESI Scheme and ensure hard copy of e-Pehchaan Card must be given to all IPs also.

2. On 5th February, 2024 the ESIC has issued a Memorandum stating that in its 192nd Meeting held on 15th December, 2023, it approved the enhancement in the rates of Physically Disability Benefit/Death Benefit w.e.f. 1st August, 2022 in the cases, where the employment injuries resulting in disablement or death occurred on or before 31st December, 2021.

3. The Central Board of Trustees of Employees Provident Fund Organisation in its meeting held on 10th February, 2024 recommended an annual rate of interest of 8.25% to be credited on EPF accumulations in members' accounts for the financial year 2023-24. This interest rate will be officially notified in the Government Gazette after approval by the Ministry of Finance.

4. Due to increase in Consumer Price Index for Industrial Workers for the period July-December, 2023, the Dearness Allowance payable to various categories of workmen in our State is likely to increase by Rs. 350.00 per month w.e.f. 1st April, 2024.

LEGAL & TAXATION



1. The Government of India, Ministry of Finance, has issued two Notifications on 19th February, 2024 effective from 20th February, 2024 regarding Removal of Import Duty on Cotton covered under "HS Code 52010025 (Other: of staple length exceeding 32.0 mm)" and also Exemption of Agriculture Infrastructure and Development Cess (AIDC). Custom Duty on import of Cotton was imposed in November, 2022.

2. In the matter of DCIT Vs Saint-Gobain India Pvt. Ltd. Income Tax Appellate Tribunal (ITAT), Chennai held that the Government subsidy received for investment promotion is indeed a capital receipt. This decision was grounded in the principle that the purpose and nature of the subsidy—aimed at encouraging significant investments in the State—align with the characteristics of a capital receipt.

3. According to reports, the Government will soon undertake a comprehensive assessment of customs duties on key inputs for manufacturing of finished products such as, garments, jewellery, metal items and leather goods to enhance cost competitiveness in both domestic and overseas markets. As a matter of principle, tax proposals were not considered in the Interim Budget on 1st February, 2024 but a comprehensive review of customs duties in the light of various Free Trade Agreements (FTAs) is due and is expected after May, 2024.

EXPORT & IMPORT

1. The Central Government released the information relating to exports for the month of January, 2024 on 15th February, 2024. In January, 2024 Textile & Apparel exports decreased by 2.29 per cent to \$ 2,987.75 million from \$3,057.80 million in the corresponding period of 2023. Textile exports eased 1.18 per cent to \$ 1,546.42 million from \$ 1,564.81 million in January, 2023. Cotton yarn, fabrics, and made-ups exports grew by 2.50 per cent to \$ 891.93 million in January, 2024. However, exports of man-made yarn, fabric, and made-ups fell by 4.33 per cent to \$ 379.71 million in the period. Apparel exports from the Country declined by 3.46 per cent to \$ 1,441.33 million in January, 2024 from \$1,492.99 million in January, 2023. The information relating to textile and apparel exports during the period April – January, 2023-24 is as under:

Exports	Value in US\$ Million		
	Apr. - Jan., 2022-23	Apr.- Jan., 2023-24	% Change
Cotton Yarn, Fabric, Made - ups, Handloom Products	9,046.96	9,561.77	5.69
MM Yarn, Fabric Made - ups, etc.	4,075.21	3808.06	(-)6.56
Jute Products	372.06	283.78	(-)23.73
Carpets	1,156.17	1,152.79	(-)0.29
Handicrafts, etc.	1,450.87	1,318.25	(-)9.14
Textiles	16,101.27	16,124.65	0.15
Apparel	13,335.03	11,583.01	(-)13.14
Textiles & Apparel	29,436.30	27,707.66	(-)5.87
All Commodities	3,72,098.48	3,53,915.84	(-)4.89
% Share of T & C	7.91	7.83	

- Cumulative Exports of Textiles and Apparel during April-January, 2023-24, registered a negative growth of 5.87 percent over the same period of previous year.
- During April– January, 2023-24 Indian Textiles Exports registered a growth of 0.15 percent over the same period of previous year, while Apparel Exports registered a negative growth of 13.14 percent during the same time period.
- Cumulative Exports of Textiles and Apparel during April– January, 2023-24 have registered a negative growth of 5.87 percent as compared to April- January, 2022-23.



- The share of textile and apparel exports during April-January, 2023-24 decreased to 7.83 percent as compared to 7.91 percent of total exports of all commodities in the previous period.

2. During January, 2024 imports of cotton raw & waste dropped by 32.32 per cent to \$ 19.62 million, while textile yarn, fabric, and made-ups imports decreased by 11.24 per cent to \$ 184.66 million. The details of imports in April - January, 2023-24 as compared to the same months of the previous year are as under:

Value in US\$ Million

Imports	Apr.- Jan., 2022-23	Apr.-Jan., 2023-24	% Change
Cotton Raw & Waste	1,349.00	518.38	(-) 61.57
Textile Yarn/Fabrics/ Made-ups, etc.	2,268.49	1,931.68	(-) 14.85

3. The Reserve Bank of India has announced an extension of the Interest Equalization Scheme for pre and post-shipment rupee export credit until 30th June, 2024. Under this extension, Manufacturers and Merchant Exporters dealing with specified 410 HS lines will benefit from 2 per cent, while MSME manufacturers exporting under any HS line will receive a higher rate of 3 per cent. Another important modification involves the imposition of a cap on the annual net subvention amount, which has been capped at Rs 10 crore per Importer-Exporter Code (IEC) in a given financial year. This cap applies to all disbursements made from 1st April, 2023, onwards.

4. A recent report, "India FTA Outlook 2024", by the trade think tank Global Trade Research Initiative (GTRI), says "everyone wants to do an FTA with India". "Countries ranging from large economies like the US, Europe, Japan and the UK to smaller ones like Oman, Peru and Mauritius, either already have or are actively seeking an FTA with India. The main reason for this is India's high import duties, which make it difficult for these countries to access India's large and rapidly growing market." This means, by inking an FTA with India, a supplying nation will have access to a market of 1.4 billion people without having to pay import duties on substantial trade. Currently, India has 13 functional FTAs involving 22 countries. These include pacts with Japan, South Korea and the Association of Southeast Asian Nations (ASEAN).

5. India used to export about 120 million kgs. of yarn on an average every month. The yarn export decreased significantly to 30 to 50 million kgs. for a few months starting from April, 2022. Yarn exports have now dipped below 100 million kgs. In today's environment, there should be 200 million kgs. of yarn export every month. Instability in prices of key raw materials like cotton is the main reason, why Indian textile exports have suffered.

6. According to India Ratings and Research (Ind-Ra), an unrelenting disruption in the Red Sea could significantly affect India's foreign trade. The working capital cycle of companies is likely to aggravate by 15-20 days, and the impact could be stronger for sectors like agriculture and textiles. The impact is likely to raise the share of Freight and Forwarding (F&F) cost in the total cost by 25-30 per cent for companies involved in international trade. Pressures on cash flow, although moderate for large entities, will further increase borrowings for several sectors, including chemicals and textiles, which have seen a year-on-year (YoY) rise in net leverage in the first half of fiscal 2023-24.

7. As per reports, India's textile and apparel exports are almost stagnant for last five years as per information available from Ministry of Textiles. This is attributed to factors like rising production costs, outdated technology, and inadequate infrastructure. Over 100 textile units are currently classified as 'sick' impacting thousands of jobs and hindering industry growth. The industry struggles to compete with countries like Bangladesh and Vietnam due to lower labor costs and policy advantages.

8. As per reports, Government has decided to extend export benefits under the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme to companies operating in Special Economic Zones (SEZs) and Export-Oriented Units (EOUs).

9. As per reports, India's textile industry has strongly urged the Central Government to set a Minimum Import Price (MIP) of \$ 2.71 per kilogram (Rs. 225/kg) for fabric imported from China. Industry organisations from northern

India, especially from Punjab, have stated that if the Government does not heed the demand, they will suspend their production. It is important to note that the textile industry has been raising this issue for a long time amid slow demand across the World.

STATE OF INDUSTRY

1. According to data released by the Ministry of Statistics and Programme Implementation (MoSPI) on 12th February, 2024, India's Index of Industrial Production (IIP) with base 2011-12 stood at an estimated 151.5 in December, 2023. The IIP for manufacturing of textiles grew by 1.6 per cent year on year (YoY) to 112.5 and for apparel manufacturing, it dropped by 10.3 per cent YoY to 112.7 during the month. For the April-December, 2023 period, the IIP for textile manufacturing remained the same as it was in the corresponding period in the previous year at 107.8, but the IIP for wearing apparel dropped by 19.1 per cent YoY to 103.6. The details of IIP are as under:

Items	For the Month		Cumulative		Growth
	Dec. 2022	Dec. 2023	Apr-Dec. 2022-23	Apr-Dec. 2023-24	Apr-Dec., 2023-24
General	145.9	151.5	135.9	144.2	6.1%
Textiles	110.7	112.5	107.8	107.8	0.0 %
Wearing Apparel	125.6	112.7	128.0	103.6	(-)19.1%

2. On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) of Reserve Bank of India at its Meeting held on 8th February, 2024 decided to keep the policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 6.50 per cent. Consequently, the Standing Deposit Facility (SDF) rate remains unchanged at 6.25 per cent and the Marginal Standing Facility (MSF) rate and the Bank Rate at 6.75 per cent.

3. While addressing the Production Linked Incentive (PLI) Scheme beneficiaries on 3rd February, 2024, the Union Commerce Minister clarified that the PLI Scheme is not to make the beneficiaries dependent on Government services, but can be utilised as a boost in the manufacturing sector, an initial support for the long journey ahead. "Ultimately competition will prevail", emphasized the Minister as he urged them to be more outward looking in terms of scaling their businesses and not only be catering to the domestic market. The Minister said that to become a global player is important for businesses in India to be recognised and for that they have to scale their volume, which would also help them to be cost-effective.

4. While other sectors might be feeling the blues, denim wear is experiencing a vibrant resurgence. From established giants like Levi Strauss and Pepe Jeans witnessing explosive growth to the rise of innovative D2C brands like Freakins and Snitch, this story is stitched with ambition and resilience. The Indian denim market is booming at an impressive average rate of 8 per cent to 9 per cent annually. Projections suggest it will skyrocket to US \$ 9.15 billion by 2026, up from US \$ 6.15 billion in financial year 2023, as suggested by multiple market studies.

5. The Government is considering expansion of the Production Linked Incentive (PLI) Scheme for textiles, which has a corpus of Rs. 10,683 crore, to include more items of Man Made Fibre (MMF) garments and fabrics to make it easier for investors to meet the turnover and investment norms. The gestation period for setting up operations, currently fixed at two years, may also be shifted by one year to give investors three years time to start operations. The Textile Ministry has recommended that some MMF items that have been left out of the Scheme due to some classification issues (more than 30), such as T-shirts and some products of both men's and women's wear, should be included. Hopefully these would be included.

6. The industry has expressed concern that India, which was the 2nd largest exporter of textile products 10 years ago, has now fallen to the 6th position. After agriculture, the textile industry is the largest employment sector in India. All the companies in the entire textile chain have been severely affected due to various reasons including lack of stability in the prices of key raw materials like cotton, and pressure on synthetic fibers imported from foreign countries in the name of quality control.

7. The Indian textile industry, once a global powerhouse, is facing significant challenges. Declining exports, ailing infrastructure, and fierce competition

threaten its future. In a recent report, Parliamentary Committee recognized the need for urgent action and called for a comprehensive National Textile Policy (NTP) to revitalize the sector. As per the Minister of Textiles, Government of India, "The textile industry is a vital contributor to our economy and job creation. A new National Textile Policy is essential to address the challenges and unlock the sector's full potential."

8. Ms. Rachna Shah, Textile Secretary stated on 23rd February, 2024 "While the seven PM Mega Integrated Textile Regions and Apparel (PM MITRA) parks are expected to attract Rs. 70,000 crore in four to six years with 20 lakh direct and indirect employments, the PLI Scheme is likely to attract investments worth Rs.25,000 crore with 2.5 lakh additional jobs."

She said the Government was taking several policy measures to boost the textile industry to make it a \$350 billion sector by 2030, up from the current level of \$154 billion. "One such effort is Bharat Tex, which is set to be the largest global textile event in India."

9. The Prime Minister, while inaugurating the Bharat Tex (World's largest textile event) on 26th February, 2024 promised all support to the textile sector, stressing that it will play a crucial role in making India a developed nation by 2047. Bharat Tex connects the glorious history of Indian tradition with today's talent; technology with traditions and is a thread to bring together style/sustainability/ scale/skill. He also saw the event as a great example of Ek Bharat Shreshtha Bharat, encompassing myriad textile traditions from all over India. He asked the textile sector to meet diverse global requirements rather than confining to the domestic market. The Prime Minister emphasized the resolve of Viksit Bharat and its four main pillars and highlighted that India's textile sector is connected to each one namely the poor, youth, farmers and women. He highlighted the Government's focus on connecting all elements of the textile value chain with five Fs: Farm, fibre, factory, fashion and foreign.

10. A report by the Bank of Baroda titled 'Corporate Performance, Q3-FY24' (22nd February, 2024) also provided insight into the textile sector's health, revealing both challenges and reasons for optimism. For the textiles sector, festive demand momentum was short-lived as discretionary demand continues to remain weak. Even during festive sales, premium segments performed better, while discretionary spending was weak. However, some companies reported a pickup in demand for woven fabrics and home textiles. Apart from this, decline in inventories and increased demand in export markets such as US and Japan has also helped sales. Reduction in prices of raw materials, specifically cotton yarn, in India has contributed to an increase in profitability for the textiles sector. There has also been a steady improvement in capacity utilization of the sector as well. However, increased shipping costs and delay in shipments due to the Red-Sea crisis is a major headwind for the sector.

11. According to Federation of Indian Chambers of Commerce & Industry (FICCI) Survey:

- India saw sustained and continued manufacturing growth in the first half of 2023-24.
- Growth expectations for 4th quarter of 2023-24 for textiles, apparel and technical textiles sector is moderate, with its average capacity utilisation level at 75 per cent.
- Around 87 per cent of respondents expect either higher or same level of production in 4th quarter of 2023-24.

12. International Textile Manufacturers Federation (ITMF) conducted the last Global Textile Industry Survey (GTIS) in January 2024 to assess the health of the global Textile & Apparel Industry. The Survey indicates that the indicators for business situation and order intake improved in January, 2024, possibly indicating an inflection point in the textile industry's ongoing negative business cycle. The major findings of the survey are as below:

- Improved Business Climate: Significant improvement in business climate potentially due to better inflation rates, real wages, consumer sentiments in the USA along with interest rate cuts expectations.
- Increased Business Expectations: Reached highest for July, 2024 since 2021 due to improved order intake and optimistic consumer demand outlook. However, costs are still an issue, especially energy, raw materials and labour costs.
- Recovered Order Intakes: After reaching a peak of 3.1 months, the average order backlog declined and stabilized around 2 months since

July, 2023, with no change in January, 2024.

- Capacity Utilization Remain Low: In January, 2024, the capacity utilization remained at the lowest level recorded (67%), reflecting a cautious production outlook.
- Lesser concern for low global demand: Concerns over weakening demand in the global textile value chain have decreased, with a drop in respondents citing it as a main concern to 67% in January, 2024 from 77% in November, 2023, the lowest since May, 2023.
- Shift from order cancellation to reduced orders: Despite the weakening demand, industries are now reporting reduced orders rather than cancelled orders.
- Average Inventories: Inventories in the textile value chain are deemed average by 57% of participants. Amongst the segments, garment producers are reporting the lowest inventories.



Form-IV (See Rule 8)

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|---|---|--|
| 1. Name of Publication | : | M.P. Textile News Letter |
| 2. Place of Publication | : | Indore-452001 |
| 3. Periodicity of Publication | : | Monthly |
| 4. Printer's Name | : | M. C. Rawat |
| Whether citizen of India | : | Yes |
| Address | : | The Madhya Pradesh
Textile Mills Association,
56/1, South Tukoganj,
Indore-452001 |
| 5. Publisher's Name | : | M. C. Rawat |
| Whether citizen of India | : | Yes |
| Address | : | The Madhya Pradesh
Textile Mills Association,
56/1, South Tukoganj,
Indore-452001 |
| 6. Editor's Name | : | M. C. Rawat |
| Whether citizen of India | : | Yes |
| Address | : | The Madhya Pradesh
Textile Mills Association,
56/1, South Tukoganj,
Indore-452001 |
| 7. Name & Address of
Individuals, who own the
Newspaper and partners or
Shareholders holding more
than one percent share of
the total capital. | : | The Madhya Pradesh
Textile Mills Association,
56/1, South Tukoganj,
Indore-452001 |

I, M. C. Rawat hereby declare that the particulars given are true to the best of my knowledge and belief.

Dated- 1st March, 2024

M. C. Rawat,
Publisher

For Address