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TEXPROCIL Enewsletter

A fortnightly publication of THE COTTON TEXTILES EXPORT PROMOTION COUNCIL OF INDIA

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INSIDE THIS ISSUE

TEXPROCIL makes presentation to Duty Drawback Committee

Shri Ujwal Lahoti, Chairman (6th from Left) & Dr. Siddhartha Rajagopal, Executive Director, TEXPROCIL (5th from Left) along with leading Member exporters of the Council made Presentation before Drawback Committee headed by Dr. G.K.Pillai on Drawback proposals for Cotton Textiles on 9th August 2018.

CHAIRMAN'S MESSAGE

Dear Friends,

India's economic growth momentum is likely to pick up further and the country is expected to clock GDP growth of 7.5 per cent in this financial year, as per a report by Morgan Stanley. According to the global financial services major, the growth recovery will remain robust, supported initially by consumption and exports. However, the report also notes that the risks to this growth outlook could stem from slower global growth or a rise in trade tensions impacting external demand.

Trade strain continues

The WTO's latest World Trade indicator suggests trade expansion is on a slow track on account of rising trade tensions. There has been a steady decline in export orders worldwide which the WTO estimates will lead to slowing down of merchandise trade volume growth to 4.4% in 2018 from 4.7% in 2017.

While these trends are ominous at the level of global trade, we need to continuously build on our strengths. The government on it's part should also facilitate trade by speedily addressing the issues related to GST, implementation of ATUFs, etc.

Demand for Refund of accumulated credit

In this connection the decision of GST Council in its 28th meeting held on July 26, 2018 to allow refund of unutilised Input Tax Credit (ITC) for fabrics is welcome. Accordingly, CBIC issued Notification No. 20/2018 – Central Tax (Rate) dated July 26, 2018 to implement the above decision. However, the said Notification has stated that the accumulated credit lying unutilized as on July 31, 2018 will lapse.

This will lead to serious problems for the textile sector as the costs will go up on the available stocks as on July 31, 2018". Most of the dyes and chemicals, and packing materials used by the textile sector attract 12% and 18% GST. Further, in the case of manmade fibre textiles, fibre and yarn attract 18% and 12% GST respectively. On the other hand, the GST rate on fabrics is only 5% leading to accumulated Input Tax Credit on account of inverted duty structure.

While the intention of the Government is to provide refund of accumulated Input Tax Credit on account of inverted duty structure to bring down the cost of the products, it appears some technical reasons

CHAIRMAN'S MESSAGE

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such as bifurcating the input tax credit accumulations before 31.7.2018 and after August 1, 2018 for the purpose of refunds have led to the above decision to make the accumulated credits lying in balance as on July 31, 2018 become null and void. We have appealed to the Government to allow the accumulated Input Tax Credits on fabrics available with the weavers as on July 31, 2018 for adjusting GST payment on outward supplies – both for domestic and export supplies.

Transport Strikes disrupts textile supplies

The trade is yet to come to terms with a thorough understanding of systems and procedures under the tax reforms introduced by the Indian government leading to a lot of misconceptions on GST. Also the pace of implementation of GST is taking its own course which has been a cause of agony amongst the various stakeholders in the value chain of India's vast manufacturing and service sectors. This has resulted in the panic stricken stakeholders resorting to agitate against the government leading to disruption of trade.

One such event was the nationwide indefinite strike on July 20th, 2018 led by the All India Motor Transport Congress (AIMTC). The main objective was to reiterate their demands including a reduction in central and state taxes by getting diesel under the GST so that price of the deregulated commodity can be reduced.

Trade obstructions like these tend to adversely affect textile exports leading to a sharp disruption in the movement of raw materials to the factories and finished goods to the ports. Especially, in the case of Cotton textiles, raw cotton is mainly produced in Gujarat and Maharashtra whereas bulk of the consumption is in the Spinning & Weaving units located in the Southern states of Tamil Nadu and Andhra Pradesh. The transport strike brought the movement of textile products to a standstill.

Friends, it is high time that we realise that disruptive activities like these have serious repercussions on businesses. Non-adherence of the strict shipment schedules given by the foreign buyers for exports can lead to loss of reputation in the international markets for many of the textile exporters and penalties for late shipments. The government needs to be highly sensitive to such disturbing trends and facilitate uninterrupted supplies.

Increase in import duty on select textile products

In order to prevent disruptions to domestic industry on account of low cost imports, the Government has increased import duty on 328 textile products to 20 percent vide Notification No. 58/2018 – Customs dated 7.8.2018 issued by the Ministry of Finance, Government of India.

However there is no increase in the Customs duty on any of the Cotton textiles products (fibre, yarn, fabrics, made ups). The Customs duty has been increased on Carpets and Readymade Garments. As a result imported garments, fabrics, specialised fabrics and carpets, among others, will become costlier, which should benefit domestic manufacturers.

While this is a welcome move, we should be judicious in our approach to tariff related issues so as to ensure that raw materials are available at less than international prices. Raising duties on raw materials like fibres/ yarns may prove counterproductive as it may affect the value added sector.

Modified ATUFS

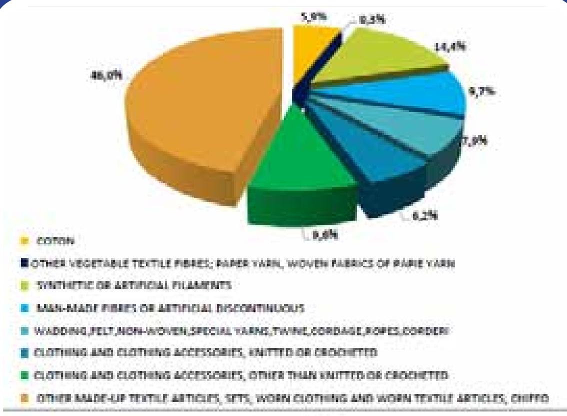
ATUFS was launched in January 2016 for a period of seven years in place of the erstwhile Technology Upgradation Fund Scheme (TUFS). The government provides credit linked subsidy under the scheme. The Ministry of Textiles, Government of India, has modified the financial and operational parameters and implementation mechanism of Amended Technology Upgradation Fund Scheme (ATUFS) vide Revised Resolution dated August 2, 2018.

A key feature of the revised ATUFS is the one- time opportunity given to those applicants who had applied for UID under RRTUFS before 12.01.2016 but were was not issued on account of non-availability of funds can now make an application for subsidy under the ATUFS. This a big relief given to the industry and should benefit many applicants. We have thanked the Honb'le Minister for Textiles for giving this one time concession.

The revised scheme is expected to facilitate improvements in

COVER STORY

THE TEXTILE SECTOR IN SENEGAL



Source: ANSD

Senegal is an important market for Indian textile products. India is the second largest exporter of textile products to Senegal after China. In the year 2015, India exported textile products worth USD 10.8 million to Senegal in comparison to USD 36.2 million by China. In the year 2017, Senegal imported textile products worth USD 12.5 million from India. Embassy of India, Dakar has commissioned a study on "The Textile Sector in Senegal and Business Opportunities for Indian Industries".

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CHAIRMAN'S MESSAGE

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productivity, quality, etc. and also encourage investments in the various segments of the textile sector thereby leading to higher employment generation.

Meeting with Duty Drawback Committee

The Duty Drawback Committee appointed by the Central Government headed by Shri G. K. Pillai (former Secretary, Government of India) with members Shri Y. G. Parande (former member – Central Board of Excise and Customs), Shri Gautam Ray (former Chief Commissioner of Customs & Central Excise) and Shri Anand Kumar Jha, Under Secretary, (Drawback), Department of Revenue visited Mumbai on August 9, 2018. The Council facilitated their meetings with the various EPCs/ Associations on the Drawback proposals.

As in the past, Texprocil made a presentation on its duty drawback proposals before the Committee. While the Council has taken all the efforts to present the facts to the Expert Committee, I appeal all our members to share maximum data to substantiate the need for higher levels of duty drawback rates for our products.

Way forward

Taking a cue from the global developments, India has begun to formulate it's response to enhance trade with the global markets. In the effort to improve the competitiveness of the textile industry, India's strategy for global trade at this juncture should be nuanced so as to avoid conflicts leading to a negative impact on our global growth.

Friends, it needs no emphasis that 'Free Trade', as understood after the setting up of the WTO in 1996 has been responsible for sustained global growth over the years. Attempts to roll back the processes with protectionist measures may lead to short term gains but will prove harmful in the long run for the global economy.

It needs to be reiterated that the world economy cannot afford another era of slow growth on account of "trade wars". It is thus imperative that all countries act in a spirit of mutual cooperation and resolve trade issues amicably both bilaterally and multilaterally.

Ujwal R Lahoti
Chairman

:: TEXPROCIL ::

COVER STORY

THE TEXTILE SECTOR IN SENEGAL

We cover some of the important aspects of this study in the Cover Story of this issue.

Introduction

The textile industry in Senegal is little developed and is struggling to stabilize. The external balance of this sector is very deficient. In fact, imports of textile / clothing products generally exceed ten times the amount of exports. Senegal therefore relies heavily on its bilateral trading partners, usually Western and Asian.

Transformation companies in place are very little equipped with advanced technology. However, the sector benefits from a strong skilled workforce and at a lower cost.

Openness to regional and international markets is also a major opportunity for the sector, as well as the country's industrialization policy through the Senegal Emergent Plan (PSE). The low productivity of the sector and the Chinese competition are the main bottlenecks of the sector. The challenge of the availability of inputs and energy resources remains to be met.

The entry into the sector and the establishment of new foreign units could materialize through three main axes:

- the installation of processing units at the cutting edge of technology;
- support for production in the form of improvement of the cotton sector and
- support for the training of young people and exploitation of the country's strategic position open to international and sub-regional markets.

Local financial institutions such as the National Bank for Economic Development (BNDE) and the National Fund for Agricultural Loans (CNCAS) are ready to support the development initiatives of the sector especially when they promote the development of local agriculture.

General outlook

The Senegalese textile sector, which was very dynamic, is now experiencing some difficulties. Factories such as SOTIBA, ICOTAF, COTONNERIE DU CAP VERT, NSTS, SOTEXKA, etc., which were the flagships of the Senegalese textile industry, have problems, if they have not simply put the key under the doormat. Besides, the few companies that operate must also face the competition from imports.

Unlike the industrial sector, cotton is still growing well in Senegal. The sector brings significant foreign exchange into the country and is one of the five clusters of the Accelerated Growth Strategy (AGS) on which Senegal counts as an emerging economy. Meanwhile, while the "Senegalese label" is trying to make its way, the law on Growth and Opportunities in Africa (AGOA) broaden the outlook.

"Senegal has an established industrial culture in this field, ranging from cotton growing to garment making, ginning, weaving, spinning, knitting and finishing. There is a large amount of cotton available in the country and opportunities to create spinning mills," according to the Agency for the Promotion of Investments and major works (APIX SA).

According to the French Agency for International Business Development (UbiFrance) and the French economic mission in Senegal, cotton production is estimated for the 2008-2009 season at 21,000 tons1 of lint, against peaks of 50,000 tons before.

Clothing, textile spinning, weaving and textile finishing are the key sectors of the textile and leather industry with respective shares in the total weight of this branch of 53.4% and 36% respectively 6% (IHPI Renovation Survey, 2015).

Different sub-sectors

- ***The fibres -*** Essentially, cotton-fiber is marketed by SODEFITEX (Société de Développement et des Fibres textiles), the main cotton ginning company. It produces 17,000 tons of fiber per year on

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Edited & Published by:
Dr. Siddhartha Rajagopal

Editorial Team
N. Ravindranathan,
Rajesh Satam, A. Ravindrakumar,
Shailesh Martis, Sanjay Rane

Ideas & contributions are welcome at:
texprocil1@gmail.com; mktg@texprocil.org

Editorial & Publishing Office at :

TEXPROCIL
The Cotton Textiles Export Promotion Council
Engineering Centre, 5th floor, 9, Mathew Road,
Mumbai – 400 004. India.
Tel: +91 22 23632910 to 12
E-mail: info@texprocil.org

SPECIAL FEATURE

SENEGAL: Business Opportunities for Indian Industries

Structure of textile exports

The trend in Senegal's exports of cotton products declined over the period under review in line with the crisis in the sector and rainfall. From 11664 CFA million in 2013, exports of cotton and cotton fabrics dropped substantially to 8643 million in 2016, down from 9174 million in 2015. Between 2013 and 2016, the value of exports fell by more than 25%, reflecting the difficulty faced by the cotton sector.

At this level, it should be noted that exports of textile products are largely dominated by cotton with an amount of 9 billion CFA francs, or 65% of exports and a quantity of 12,709,949 Kg in net weight. The cotton exported consists mainly of ginned and unginned cotton (see Appendix). Apart from cotton, Senegal exports other textile products in particular:

- Wadding, felt, non-woven, special yarns, twine, cordage, rope and cables, representing 10.4% of textile exports (about 1 billion CFA)
- Other made-up textile articles; sets; worn clothing and chiffo (1 billion CFA).
- Synthetic filaments or articles.
- man-made staple fibres
- Articles of apparel and clothing accessories, other than knitted or crocheted
- Clothing and clothing accessories, knitted or crocheted.

It is obvious that in value, exports would be more important because some producers, especially designers, export through informal channels.

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COVER STORY

(contd. from Pg.4)

THE TEXTILE SECTOR IN SENEGAL

average. The crisis of the Senegalese spinning industry forces this company to export (to Africa, Europe, Asia and America) all its production. In the past, Senegalese mills absorbed up to 3% of production. With a drop in production (16,000 tons in 2015/2016 and 15,000 tons in 2016/2017), Senegal is a small producer compared with other countries in the sub-region: the latter all produce more than 100,000 tons of seed cotton per year (500,000 tons Mali, Benin 250,000 tons).

➢ ***The processing industries*** - They include spinning, weaving, knitting and finishing (dyeing, printing, bleaching and finishing). This part of the sector has been the most worrying since the mid-1980s. Indeed, most industries had a fleeting existence (SOTIBA, SOTEXKA, ICOTAF, etc.) because of poor management and lack of local supply.

In the cotton processing industry, Senegal has four companies: CCV/SOSEFIL, DOMITEXKA, COSETEX, NSTS. In this lot, most of them experience frequent production stoppages and seem to have a debt level that is not sustainable. Others are experiencing serious production problems, but continue to function as well as they can.

➢ ***Garment manufacturing*** - Apart from the DOMITEXKA garment factory located in Louga, this sub-sector mainly comprises about fifteen small and medium-sized enterprises - Small and Medium Industries (SME-SMI) moderately structured grouped at the level of the Industrial Domain Company of Dakar, (SODIDA). The sub-sector also includes small workshops operating in the fashion sector and thousands of individual tailors in all villages and towns of Senegal.

➢ ***Craft*** - Textile craftsmanship is an ancient tradition in Senegal. It is mainly done by women in the field of dyeing, often organized in associations. The problems encountered are similar to those of clothing, especially for the difficulty of finding fabric at the local level. This sub-sector impacts on tourism through the manufacture of ethnic products. Although it is classified as informal sector, it occupies a beautiful world: dealers of dyes and auxiliary products in the markets, helpers-dyers, "tappers" (after dyeing and drying, the fabric is typed by men, to the using sticks, to give it a shiny appearance).

Trades Analysis

Senegal has a strong tradition of textile processing industries that were among the first in West Africa and exported a large part of the production.

Thus, we distinguish two major axes in the Senegalese export offer:

- The sub regional axis: In this zone, Senegalese production of non- buttonhole clothing and accessories is mainly intended for Gambia, Burundi, Mali and Burkina Faso.
- The international axis: the production of clothing and accessories other than buttonholes is exported respectively to the USA and France.

Senegal's trade balance in the textile/ clothing sector is however, very deficient. In 2016, imports were worth more than 10 times the exports.

It should also be noted that the volume of trade experienced a trend increase between the years 2000 and 2009. There is a period of decline/stagnation between 2010 and 2012, then a small recovery in 2013. This recovery, however, struggles to stabilize so whereas in 2016 the value of imports amounts to 89.3 million USD against 7.7 million USD for exports.

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SPECIAL FEATURE

SENEGAL: Business Opportunities for Indian Industries

Strategic directions of entry

An efficient exploitation of the Senegalese textile market should focus on three main axes: the establishment of production/processing units; support for local production and openness to sub-regional markets.

The establishment of production units

As mentioned earlier, Senegal does not have production units at the cutting edge of international technology. Despite the existence of the Chinese threat, the country remains very favourable to the establishment of foreign factories. This will aim to stimulate the national economy, create jobs and improve household living conditions. These elements being the spearhead of the Senegal Emergent Plan, Indian companies could benefit from the support of the Senegalese authorities. One of India's strengths is that it is historically the leading supplier of textile products in Senegal.

It should however be noted that this could constitute a threat to Senegalese companies already in place. It is therefore important that the new companies to be established are able to support existing state enterprises.

Support for local production

Outside the processing units, India can stimulate local production by investing in the revitalisation of cotton cultivation, the main spearhead of textiles. This has a double advantage: it will see the full cooperation of the State which encourages local production, but would also constitute an important source of raw material for the processing units.

It would be appropriate for India to support cotton farmers with loans at a preferential rate to avoid over-indebtedness of producers. (Cotton farmers have historically ensured a repayment rate of 96% to 98%)

To take full advantage of cotton farming, cotton manufacturers would have to buy cotton from farmers at a more competitive price than groundnuts. Because the two cash crops compete and farmers focus their efforts on the most profitable crops.

For example, in general, the ratio of cotton to peanut prices must be 1.3 for competition to be balanced between the two products. If groundnuts are traded between 240 and 245 CFA francs per kilo, and cotton is at 255 CFA francs per kilo, it is obvious that, under these conditions, cotton cannot hold.

Setting a more competitive price therefore remains an essential factor in boosting cotton production.

Another component of this support would be support for training young people in textile trades. In addition to providing a quality local workforce, this will contribute to reducing youth unemployment, another important aspect of the PSE28. Moreover, the new cotton farmer could adopt a diversification strategy similar to SODEFITEX by integrating other crops (cereals, flour, feed, seeds...) which would allow him to avoid the vagaries of world cotton prices.

An opening to Sub-regional Markets

Senegal's opening to the sub-region and Western countries is an advantage for a new entrant. As several WAEMU countries are cotton producers, an Indian processing and/or production unit based in Senegal could import raw materials (raw cotton) from these countries if local production is not sufficient to fill the demand. This would greatly contribute to stimulating the sector in the subregion and facilitate the creation of other production units in these countries. As a consequence, India has two opportunities: the first is to help local cotton production, the second is to make clothing and other textile articles.

Senegal's position should also be profitable for exports. The country is open to tourism, Western countries & carries out very important port activities.

Credit / Financing Opportunities

As part of the drive for economic activities, some financial institutions such as BNDE29 are ready to support the process of industrialization of the textile sector in Senegal and Indian businessmen should make the best of these opportunities.

(Note: The Report is an extract of Embassy of India, Dakar commissioned study on "The Textile Sector in Senegal and Business Opportunities for Indian Industries". A copy of same can be availed from the Council on request over email)

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TRADE NOTIFICATION

MEMBERSHIP SATISFACTION SURVEY

Dear Member,

Kindly fill in your complete information below and respond to the questions below by tick (✓) marking appropriate response in the space provided or with suggestions in brief wherever necessary. We value your association with us and prompt feedback.

COMPANY INFORMATION

Name of the Company	:	
Contact Person & Designation	:	
TEXPROCIL Membership (RCMC) No.	:	
Email Address & Website	:	

1) **Kindly rate the following services offered by Texprocil on rating of 1 to 5. in order to serve you still better.***
1= Excellent, 2=Good, 3 = Satisfactory, 4 = Needs Improvement, 5 = Not Availed (N.A.)

Membership	Rate Here	Trade Development	Rate Here	Trade Promotion	Rate Here	Trade Services	Rate Here	Trade Intelligence	Rate Here
Procedure for New Membership		Publication: E-Newsletter		Intl. Fairs & Events		Certificate of Origin		Interactive Website	
Membership Renewal		E-serve		Seminars & Workshops		Grievance Redressal Services		E-News Clippings	
RCMC Amendment		Circulation Trade Enquiries/ Award		MDA/MAI Schemes		Information on Exim policy/ Amendment DBK		Information Disseminated	

2) a. Are you generally satisfied with the services actively availed by your company and marked above? **Tick (✓)**	**YES**		**NO**	
b. If you have replied 'no' above, please suggest how the Council can improve the services *(use additional sheet if required)*	**Suggestions:**			
3) How is your company benefitting from the Exhibitions / BSMs being organized by the Council? **Tick (✓)**	Accessing new Markets		Generating additional business	
Others (Pls. Specify):	Making new Contacts (Trade Enquiries)		Any Others	
4) How is your company benefitting from the Export Facilitation services being provided by the Council?	Information on Export Policy / Procedures		Responses to various EXIM queries	
Others (Pls. Specify):	Redressal of Trade related grievances		Any Others	
5) Have you recommended TEXPROCIL Membership to other companies? **Tick (✓)**	**YES**		**NO**	
6) Do you have any other suggestions to offer regarding TEXPROCIL Member Services? *(use additional sheet if required)*	**Suggestions:**			

***Kindly ignore this feedback form, if you have already responded.**

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TRADE NOTIFICATION

TEXPROCIL MEMBERSHIP
ANNUAL RENEWAL SUBSCRIPTION

The Annual Renewal Subscription for the financial year 2018-2019 **for existing members** has become due for payment from 1st April, 2018, as follows:

Type of Membership	Amount (Rs.)	GST @ 18%	Total Amount (Rs.)
Member (with Voting Right)	**11000/-**	**1980/-**	**12980/-**
Registered Textile Exporter	**6000/-**	**1080/-**	**7080/-**

Note: GST Invoice will be issued on receipt of payment.

For New Registration Fee Structure is as follows:-

Type of Membership	Amount (Rs.)	GST @ 18%	Total Amount (Rs.)
Member (with Voting Right) (including Rs.6000/- as Entrance Fee)	**17000/-**	**3060/-**	**20060/-**
Registered Textile Exporter (including Rs.3000/- as Entrance Fee)	**9000/-**	**1620/-**	**10620/-**

Note for Members:

Members are also requested to submit the CA Certificate as per the format given below certifying the Export Turnover for the financial years 2016-2017 & 2017-2018 i.e. the amount of actual FOB value of exports of Cotton Textiles excluding Readymade Garments and Handloom Textiles.

Members may note that the eligibility criterion of annual export turnover is minimum Rs. 2 Crore. Those not fulfilling the criteria will automatically be renewed as RTE i.e. Registered Textile Exporter.

RTEs are not required to submit the CA certificate.

Format of Chartered Accountant Certificate to be submitted by Members only:

CHARTERED ACCOUNTANT CERTIFICATE
(on C.A.'s Letter Head)

TO WHOMSOEVER IT MAY CONCERN

This is to certify that M/s. ________________________________ (Name and full address of the Member) having IE code No. ________________ have exported Cotton / Cotton Yarn / Cotton Fabrics / Cotton Madeups (Excluding Handloom Items / Readymade Garments and Silks, etc.) during the financial year 2016-2017 & 2017-2018 as follows:

Sr. No.	Description	2017-2018 (Rs. FOB Value)	2016-2017 (Rs. FOB Value)
1	Cotton		
2	Cotton Yarn		
3	Cotton Fabrics		
4	Cotton Made-ups		
	TOTAL		

(Stamp & Signature of Chartered Accountant)

(Membership No. of Chartered Accountant)

(Firm Registration No. of Chartered Accountant)

PLACE:
DATE:

Note to Members & RTEs whose RCMC has expired on or before 31.03.2018:

Please apply immediately for renewal of RCMC with the following documents:

[1] Copy of your Import-Exporter Code (IEC)

[2] In case of Manufacturer Exporter, a copy of Manufacturing Licence

[3] In case of changes in Partners, a copy of revised deed of partnership

[4] In case of changes in Directors, a copy of Form 32 or DIR-12 or Board Resolution for those who have resigned and newly appointed.

(For any further queries please write to Mrs. Smita Dalvi on email : smita@texprocil.org)