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Indian Cottons, Global Reach!

TEXPROCIL Enewsletter

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

www.texprocil.org

Volume IV. Issue No. 31 March 25, 2020

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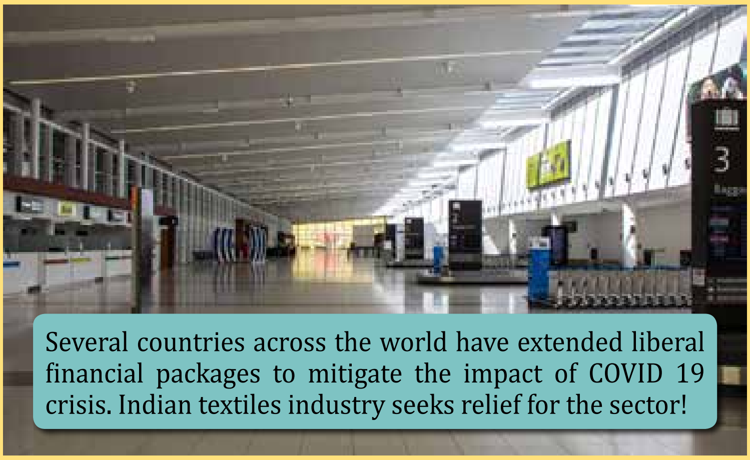

Several countries across the world have extended liberal financial packages to mitigate the impact of COVID 19 crisis. Indian textiles industry seeks relief for the sector!

CHAIRMAN'S MESSAGE

Dear Friends,

The coronavirus lockdown has begun in India, all states / union territories, entire 732 districts, imposed total lockdown for 21 days starting March 25, 2020. During this period, all movement and services are banned. This comes at an important time for the country when the travel bans imposed everywhere has left the trade and industry vulnerable to supply-chain shocks.

The coronavirus outbreak, first seen in China and now having been confirmed in more than 100 countries, has emerged as a key risk to human health as well as global growth outlook. Numerous channels of business like trade, production, supply chains as well as demand have been adversely affected.

Government response

Considering the enormity of the disruption within & across borders, the government is constantly engaging with export promotion councils and trade bodies. While the Indian Missions overseas have been instructed keep in touch with trade bodies for possible opportunities arising out of disruptions in China, the rapid spread of Covid19 across the world has been stunning in its impact, calling for a comprehensive range of steps to keep businesses going.

Towards this end, the Hon'ble Prime Minister announced the setting up of a Covid 19 Economic Response Task Force under the Hon'ble Finance Minister.

Taking note of this announcement, the Council sent a detailed note to the Committee seeking an urgent package of measures aimed at mainly maintaining the cash flow.

A host of measures have been suggested including a year-long moratorium by banks on debt repayment, tax cuts, fiscal and monetary stimulus that need to be announced urgently.

While exports remain severely dented due to COVID 19 led supply chain disruptions, diverting production to local market isn't easy as the domestic market itself is in the throes of a slump in demand.

The Council has sought the Government's attention to the fact that the spread of the VIRUS has severely upset supplies across the entire textile value chain, from fibre to finished goods, on account of severe disruptions in export shipments and import clearances at leading ports.

There is also a severe shortage of raw materials, especially those supplied by China, including dyes & chemicals and also non-woven fabrics. Not only the international buyers are cancelling / deferring orders, but the domestic manufacturers / exporters of garments / home textiles are also cancelling / deferring orders for supplies of yarn, fabrics from the manufacturers, thereby forcing curtailment of production.

A large inventory of unsold stock is thus building up leading

CHAIRMAN'S MESSAGE

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to curtailment and stoppage of production. With major cities enforcing "lockdowns" and Companies enforcing "production cut-backs", the labour force which mainly comprises of "migrants" is also leaving for their native places.

Relief sought for the Textile Sector

We have pointed out that the situation is worsening by the day as Companies are running out of funds to pay wages, government dues & service bank loans. The cash flow has been seriously affected.

Considering the fact that it may take 6-9 months for some semblance of normalcy to be restored, the Council has appealed to the Government to immediately instruct the banks to provide access to funds at concessional rates of interest and extend all statutory deadlines for payments by at least six months.

We have also requested that interest subvention should be extended to cotton yarn along with other export incentives in line with the support extended to fabrics and madeups.

We have also suggested that Banks should be instructed to extend ad hoc 25% additional working capital to companies without insisting on collaterals. We have also requested for permission to extend all foreign contracts by 90 days without any penalty of loss.

Way forward

Friends, we must appreciate the fact that it is difficult to prepare for a Black Swan event like the outbreak of the COVID 19 pandemic.

India, like most other countries, has been deeply affected. Unfortunately for India, this has come at a time when the country's credit environment was already fragile and the economy was slowing down.

The textile industry with its dependence on external demand is facing major disruptions in the supply chain owing to the coronavirus outbreak amid weakness in consumption demand.

The situation is unprecedented with some economists raising the spectre of recession if not depression, akin to the 1930's.

Whichever way it goes, we need to be prepared for a long haul as the world economy with its attendant supply chains will take time to repair & reboot.

In the meanwhile, we can only hope that various steps being suggested to the Government are taken up on a war footing to avert a deeper damage.

At the same time all of us whether as retailers, wholesalers, raw material manufacturers & consumers should appreciate each other's difficulties & chart out a course of action which is supportive to the overall well being of the entire textile value chain.

Dr. K. V. Srinivasan
Chairman

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TRADE FACILITATION

E Serve No.41 of 2020 **Circular No. EPS/61/2019-20** **Dated: 24-Mar-2020**

To: Members of the Council

Sub: Extension of time limit to file Annual Return under GST

Dear Member,

CBIC has vide Notification No. 15/2020 - Central Tax dated 23.3.2020 extended the time limit for furnishing Annual Return, electronically through the common portal, for the financial year 2018-19 till 30.6.2020. A copy of the said Notification is circulated to members.

You are requested to please take a note of the above and do the needful.

Thanking You,

Regards,

Mr. A Ravikumar
Joint Director | TEXPROCIL

COVER STORY

Textile industry seeks relief

The Coronavirus (COVID-19) situation is evolving quickly. Over the last several weeks, governments, communities, employers, and citizens all over the world have taken extraordinary actions to contain the pandemic. Aside from the human impact, the Covid-19 epidemic is having a major negative impact on the global textiles business.

The spreading COVID19 across the World has severely affected textile exports & production in India. Factories are compelled to stall operations, thereby fail to ship products and miss deliveries on not getting the required raw materials.

Also of concern is the prospect of even more severe disruption if factories don't have the cash flow to survive if they are hit by penalties for delayed delivery of goods, or when it becomes a matter of cancelled production rather than delayed production.

TEXPROCIL E-NEWSLETTER

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Sourcing limitations

Any effort to weigh up options to diversify their supply chains by switching to alternative sourcing destinations – has assurance of limited success. It takes months to on-board factories and shift production to another territory, and they are likely to struggle to find factories that have the scope to take on extra orders.

Switching sourcing also fails to address the ongoing challenge of obtaining raw materials from alternative suppliers.

Logistic limitations

Country wide lockdown is delaying/ hampering movement of goods. Export shipments and Import clearances have been severely disrupted at leading ports. JNPT will not be functional till March 31, 2020. Functions at Kolkata port and Petrapole border has been adversely affected. These developments will certainly impact trade and industry in a very big way.

Goods from China are mainly imported by air cargo. Freight rates have gone up by tenfold. Inbound goods into China are cleared as was during normal period. Inter province road transport is back to almost normal operation. So at present, main problem in shipments to China is quarantine of ships for 14 days leading to longer lead time and delay in payments, otherwise it's normalized.

Most of the transit hubs in South East Asia, except Hong Kong, are not permitting transit cargo flights. Cathay Pacific Airlines is adding two more cargo flights to India mainly to ship essential commodities from China.

All the inbound shipments to EU are being withheld at origin for the next two months. There is severe shortage of Dyes & Chemicals and also Non-Woven fabrics – some of the major raw materials essential for textile production. The industry has requested that these products should be made duty free at least for some time.

Production limitations

A shortage of workers and higher costs and shortfalls on the raw material side are among the top challenges facing textile industry. The importers of yarn and yarn thread used in the production of finished clothes – are fretting over delays of up to a month on essential raw material supplies as a result of the COVID 19 outbreak.

BUYERS are cancelling/ deferring orders. Domestic manufacturers/ Exporters of Garments / Home TEXTILES are also cancelling/ deferring orders for supplies of Yarn/ FABRICS from the manufacturers, thereby forcing curtailment of production.

COVER STORY

Textile industry seeks relief

Migrant Labour, which constitutes the bulk of the labour force working in the textile sector is leaving for their native places due to "cut-backs" in production.

Global relief packages

Factories globally, have warned of temporary closures due to raw material supply interruptions. There are also calls for buyers to discuss the disruptions and difficulties proactively with suppliers, and consider alternative strategies to cushion the blow for factories, such as relaxing lead times.

It is pertinent to note that several **countries across the world** have extended liberal **financial packages** to mitigate the impact of COVID 19 crisis.

Germany has announced a financial package of half trillion Euro for those this crisis can borrow as much as necessary by them for a longer duration with zero interest rate till such time they completely recover.

Japan has passed two packages of small business loans: $4.6 billion in February & $15 billion on March 11. Apart from a slew of other monetary measures, it announced a new program of 0% interest loans to increase lending to businesses hurt by the virus.

South Korea unveiled a $13.7 billion stimulus package on March 4 that would provide funding to address healthcare costs, provide support to SMEs impacted by the crisis, and help make up for expected shortfalls in tax revenues.

China has implemented several policy measures through People's Bank of China (PBOC) aimed at providing monetary stimulus that included expanding reverse repo operations by $174 billion on Feb. 3 and another $71 billion on Feb. 4 to stabilize money lending markets allowing more cash in hand to the banks. Apart from other banking measures, it announced a $4 billion "Stabilisation and Support Package" to provide job and cash-flow support to help firms retain and retrain workers in light of a looming slowdown.

The textile industry has therefore appealed to the Government to kindly announce a relief package for the textile & clothing industry that employs over 105 million people and earn around US$ 40 billion forex, apart from substantial revenue under GST and other taxes.

Relief sought for the Indian Textile sector

The net result of all these developments is that inventory of unsold goods is piling up, cash flow is severely affected & Companies are running out of cash to pay salaries, government taxes & service bank loans.

The exports, imports and also the domestic sales have come down to a grinding halt owing to the panic situation in several sectors. With the closure of malls and retail outlets, the domestic textiles & clothing sales have also come down to a halt.

In order to mitigate the crisis being faced by the wafer thin margin, highly capital and labour intensive textile industry, the textile industry has appealed to the Hon'ble Prime Minister to announce a relief package consisting of the following for a period of one year with immediate effect:-

1) Extent one year moratorium with immediate effect till March 31, 2021 for repayment of principal & interest amounts to the banks;
2) Relax RBI norms for declaring the defaulting unit as a Non Performing Asset (NPA) for one year. Otherwise, many good accounts will fall in this category putting undue pressure on bank finances as well as difficulty for the borrowers;
3) Enhance IES benefit for garments and made-ups from present level to 5% and grant 5% IES benefit on export of all textiles and clothing items that are not presently covered under this scheme;
4) Extend 3% interest subvention for the working capital;
5) Provide 25% additional working capital for both exports and domestic production based on drawing power on case to case basis without any collateral and margin money;
6) Extend soft loan equivalent to Government dues pending in the books of individual textile units that could be adjusted soon as the Government clears the dues (TUF subsidy, RoSCTL, MEIS, GST refund, etc.);
7) Defer payment of EPF and ESI contributions till we tide over the crisis;
8) Exempt all raw materials, dyes & chemicals, intermediaries, spares, accessories, etc., from Anti-Dumping Duty and Basic Customs Duty; and
9) Include all the textiles & clothing products in the textile value chain under RoSCTL, IES & MEIS benefits with immediate effect.
10) Also, provide 3% additional ad-hoc export incentive for one year to ensure that India is able to sustain its global market space and prevent job losses.

As the impact of COVID19 is expected to last for at least the next 9 to 12 months, urgent & timely action would provide the much needed relief to an already fragile textile Industry facing near collapse as it is not only capital intensive but also labour intensive surviving on wafer thin margins.

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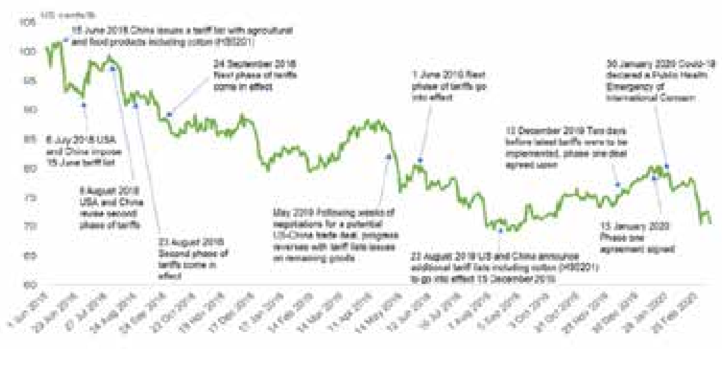
EXPERT SPEAKS

Possible Impacts of the US China Phase One Agreement By Lihan Wei, Statistician, ICAC

On 15 January 2020, China and the Unites States signed the phase one trade deal in a sign of easing the 20-months of trade tensions between the world's two biggest economies. The phase one deal proposed to reduce US tariffs and increase purchases of US products by China.

While the additional tariffs scheduled to be implemented on 15 December were reversed, the agreement would still leave tariffs on 250 billion USD in Chinese products in place. China, on its part, agreed to purchase at least an additional 200 billion USD worth of US goods and services over the next two years – above a baseline of 186 billion USD purchases in 2017 as well as implement intellectual property safeguards, and have a tariff exclusion process in place.

Figure 1. Price movement of the Cotton A Index, June 2018 to March 2020



The agreement signed on 15 January 2020 entered into force on 20 February 2020 with commitments by China to facilitate trade and specific values of US agricultural, food and seafood products in 2020 and 2021. The details on specific product purchases in each of the categories were not released to prevent the risk of distorting markets, though broadly, China has agreed to import US agricultural products worth 40 USD billion USD, each year for the next two years.

The trade value of the US agricultural products that China has agreed to purchase under phase one of the trade agreement totalled an estimated 10.4 billion USD in 2018, a 50% decrease from the 20.9 billion USD that these products totalled in 2017 (Table 1). Even before trade tensions intensified between the two countries, the total value of the package of agriculture products has not exceeded 30 billion USD in the period from 2012 to 2018. Of the agricultural products included, cotton lint (HS5201) has represented between 2 -10% of the total agricultural value of US exports to China. Table 1.

While tariffs on cotton lint increased in 2018, making US cotton 25% more costly to Chinese importers compared to other growths, China also increased the total volume of imports of cotton lint. As China increased its total imports of cotton lint from 1.6 million tonnes in 2018 to 1.85 million tonnes in 2019, US cotton exports to China decreased from 528,000 tonnes in 2018 to 360,000 tonnes in 2019 (Table 2). Market share in China shifted over this period with imports from Brazil increasing by over 170% in 2018 and 2019. Australia, typically a leading global exporter in cotton lint, had reduced supplies over the past season due to lowered production stemming from drought conditions. With enough carryover from a strong production in 2017, Australia was able to retain a 27% share of Chinese imports in 2018. However, as production fell the following season, share and volume to China decreased in 2019.

Other countries that were able to increase market share and increase exports to China during the trade dispute with the United States include West African countries where cotton production is an important cash crop and source of household income and employment for small farm holders. As Chinese import demand increased between 2018 and 2019, several countries increased exports to and market share in China. Agriculture contributes a large proportion to GDP (20-45%) in West African countries and while market share to a large manufacturing country like China

Table 1. Value of US Agricultural Products and Cotton Exported to China, 2012-2019

Calendar Year	Total agriculture trade value (billion USD)	% change	Cotton value (billion USD)	% change	Cotton quantity (metric tonnes)	% change
2012	$ 27.1		$ 3.4		1,487,296	
2013	$ 26.7	-1%	$ 2.2	-36%	1,076,103	-28%
2014	$ 25.4	-5%	$ 1.1	-49%	518,029	-52%
2015	$ 21.5	-16%	$ 0.9	-23%	477,366	-8%
2016	$ 22.7	6%	$ 0.6	-35%	306,167	-36%
2017	$ 20.9	-8%	$ 1.0	76%	526,565	72%
2018	$ 10.4	-50%	$ 0.9	-5%	485,112	-8%
2019			$ 0.6	-30%	375,157	-23%

Source: UN Comtrade, 2020

EXPERT SPEAKS

Possible Impacts of the US China Phase One Agreement By Lihan Wei, Statistician, ICAC

Table 2. Chinese Cotton Lint Imports, 2017-2019

	Volume (metric tonnes)			Share			Volume % change		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
World	1,153,196	1,572,633	1,846,910	100%	100%	100%	29%	36%	17%
Brazil	66,417	185,626	504,887	6%	12%	27%	- 17%	179%	172%
Australia	258,103	423,624	397,744	22%	27%	22%	20%	64%	-6%
USA	505,353	528,670	359,989	44%	34%	19%	92%	5%	-32%
India	112,090	171,865	205,899	10%	11%	11%	-5%	53%	20%
Benin	31,453	14,822	44,446	3%	1%	2%	222%	-53%	200%
Burkina Faso	10,005	18,383	30,221	1%	1%	2%	192%	84%	64%
Mali	1,805	9,901	21,669	0%	1%	1%	-62%	449%	119%
Cameroon	5,727	16,429	16,485	0%	1%	1%	-85%	187%	0%
Cote d'Ivoire	5,575	18,073	15,969	0%	1%	1%	-4%	224%	-12%

Source: China Customs Statistics, 2020

may remain small, the volume of exports and value to local economy is impactful. Benin exports to China increased by 200% from 2018 to 2019. Burkina Faso exports grew by 64% and Mali's exports more than doubled. Table 2.

A phase one agreement between the US-China indicates forward momentum towards calming the trade dispute between the leading global exporter and the leading global importer and consumer of cotton lint that has impacted prices and shifted supply chains. Cotton lint (HS5201) is listed in the agreement, though quantities were not disclosed and would indicate a reopening of the Chinese market to US exports. However, it remains to be seen how quickly the agreement would be implemented and how much lint China cotton would require for textile manufacturing and possible stock turnover. A rapid implementation of the agreement coupled with increased Chinese demand would likely cause prices to increase, however several important risks and caveats remain.

While the signing of the phase one agreement in January 2020 seemed to indicate a shift toward a détente in trade tensions or a slowdown of escalation, the COVID-19 outbreak has provided additional uncertainty to a global economic recovery during an already sluggish recovery. Prior to the COVID-19 outbreak, global economic growth had been revised downward to 3.3% for 2020 by the IMF based on fewer growth prospects in emerging economies which for the past several years have the been the engine of global economic growth.

Not only has the US China trade dispute lowered cotton prices, but the tenuous conflict has weakened investment and growth as it has tested the resiliency of the global economy. The phase one agreement was signed signalling an indication of a possible reprieve and alleviating the global contraction in growth. However a tenuous global recovery has been made more uncertain in the face of the possible global COVID-19 outbreak, now pandemic, that has brought further economic disruptions. According to the OECD, while a short outbreak could signal a global growth lowered by 0.5%, a more prolonged outbreak could reduce global growth prospects by 1.5%.

The phase one agreement is intended to be the first of additional phases of progressive agreement and each of these agreements would require additional negotiations. Implementation of the agreement and future phases of the agreements will always remain a pivotal point in how trade relations will resume. Geopolitical tensions in the past 20 months across the globe appear to indicate a move away from globalisation and the renegotiation of trade agreements across major economies. If uncertainty and trade tensions are the new normal, prices may remain low. Figure 1.

China's role in the global cotton market is pivotal as the leading importer and consumer of cotton lint as well as for the reserves quantities the country maintains. Implementation of phase one of the US-China trade agreements could be extended as the countries recover from the impacts of COVID-19. Yet demand for cotton textiles and apparel which remains linked to consumer demand and middle-class income growth from emerging economies may be slowed as global forecasts project slower growth in the emerging economies of China and India. Trade opportunities exist, but the overall global economy remains slow on growth amidst deepening uncertainty.

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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	☐
Making new Contacts (Trade Enquiries)	☐	Any Others	☐

Others (Pls. Specify):

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	☐
Redressal of Trade related grievances	☐	Any Others	☐

Others (Pls. Specify):

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.**

TRADE NOTIFICATION

TEXPROCIL MEMBERSHIP ANNUAL RENEWAL SUBSCRIPTION

The Annual Renewal Subscription for the financial year 2019-2020 for existing members has become due for payment from 1st April, 2019, 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.

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 2017-2018 & 2018-2019 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 2017-2018 & 2018-2019 as follows:

Sr. No.	Description	2018-2019 (Rs. FOB Value)	2017-2018 (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 31.03.2019:

Please apply immediately for renewal of RCMC with the following documents (self-attested copies) on mail or upload them online through member login from TEXPROCIL's website:

[1] Copy of Importer-Exporter Code (IEC) of the company
[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 DIR-12 or Board Resolution for those who have resigned and newly appointed.

Members may obtain RCMC & Renewal documents online through member login on TEXPROCIL's website. The procedure is as follows:

- Go to the Membership Login Menu and click on 'Enter Now' at Membership Management Program
- Since you are already registered member of the Council, you need to choose Registered Member at Member login page between New Member and Registered Member.
- Once you click on Registered Member, you should type your email id registered with the Council for the login purpose as User Name and type company's Importer Exporter Code (IEC) code as password.
- You can view all the details of your company and can get RCMC, renewal documents etc. by clicking on 'Company Details'.
- You can also upload your export returns online.

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