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INTERNATIONAL NEWS

No	Topics
1	Will China’s policy stimulus be enough to support the economy?
2	Texas A&M Report Shows Impact of Higher Crop and Input Prices for 2022
3	China to roll out new measures to remove barriers in foreign trade
4	Germany's import prices in Apr 2022 witness 31.7% YoY rise
5	Italy posts better than expected 22.6% growth in fashion sales in 2021
6	Pakistan: Little business activity on cotton market
7	New investments, branding help Bangladesh boost denim exports to the US, EU
8	Pakistan: APTMA says textiles are country’s shield

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NATIONAL NEWS	
No	**Topics**
1	Import duty waiver on cotton: Piyush Goyal tells concerned authorities to finalise matter early
2	To meet present requirement, facilitate import from destinations where stocks available - resolving procedural requirements- Shri Goyal
3	Appointment of 'master developers' for mega textile parks prerequisite to shortlisting for PM MITRA
4	India has become one of the fastest growing economies in the world: PM Modi
5	India Q4 GDP preview: Did economic growth slowdown in the last quarter?
6	GST has not boosted states' tax collections: Ind Ra
7	Insolvency cases: FinMin rolls out mechanism to cut delays in filing of claims by GST, Customs authorities
8	GST council to meet in June, may skip rate rejig
9	'MOOWR is a duty deferment scheme'
10	Demand further weakens in north India, cotton yarn slips in Ludhiana
11	How sustainability is revolving around the fashion industry
12	T-shirts & shirts constitute 31% of India's total apparel exports

INTERNATIONAL NEWS

Will China's policy stimulus be enough to support the economy?

Amid the lockdown, China's economy slumped last month, suffering its worst performance since the first wave of Covid-19 in the first quarter of 2020. But the economy is likely to have hit the bottom of this cycle.

Beyond the near term, policy stimulus will play a crucial role in boosting domestic demand this year. Policymakers have rolled out plenty of measures that could help facilitate an economic recovery in the second half, and more is likely to come.

Of the measures, infrastructure investment will continue to be the most effective stimulus. Experience from the 2009 global financial crisis and China's slowdown in 2015-2016 suggests that infrastructure spending was effective in bolstering economic growth.

Indeed, the Chinese government aims to spend the proceeds of local government special bonds, mainly used in infrastructure, by the end of August. Infrastructure investment can, therefore, be expected to do the heavy lifting to support economic growth.

The deteriorating fiscal position of local governments could weigh on infrastructure spending, however. General revenue last month fell by over 40 per cent from a year ago. While the value-added tax rebates and tax cuts, which began last month, appeared to be a key reason for the sharp fall, tax receipts were also quite weak given the economic slowdown.

In particular, falling land sales will affect local government infrastructure spending. Increased spending on Covid-19 testing also takes away fiscal resources that could be used to finance economic stimulus more generally.

To finance infrastructure spending, the central government will need to rely on other methods, in addition to front-loading the issuance of local government special bonds.

Authorities have signalled a loosening of their grip on local government financing vehicles (LGFVs) and have asked banks to meet LGFVs' "reasonable funding needs" as a means to support infrastructure spending.

The increase in transfer payments from central to local governments will help (an 18 per cent rise from last year). The government will also issue railway construction bonds. Still, the central government may need to issue a special treasury bond to help finance economic stimulus, if needed. Real estate support is among the top priorities, too. Recent targeted interest rate cuts signalled the urgency with which the real estate market needs to stabilise, after housing sales fell more than 40 per cent last month from a year ago.

Earlier this month, the People's Bank of China (PBOC) cut the lower limit of mortgage rates below the loan prime rates for first-time homebuyers. Commercial banks also reduced the five-year loan prime rate, probably guided by the PBOC. More local governments are likely to follow suit and reduce local mortgage rates further.

Bolder measures are expected, such as reducing mortgage down payments, allowing non-local residents to buy homes, and shortening or removing the minimum period before resale is allowed. More credit will be extended to property developers to help keep their existing projects afloat and to avoid default (especially for onshore debt).

These measures will be useful to stabilise the housing market and help put a floor under the economic slowdown. However, the sector will no longer be a significant driver of growth, as it was in the past, even in the best-case scenario.

The authorities are likely to keep most of the important curbs in place, such as the "three red lines" policy on developers' financing and the purchase restrictions on homebuyers with multiple homes, to avoid re-leveraging the sector.

On the monetary front, authorities are expected to continue to lean towards targeted easing to support small and medium-sized enterprises, the manufacturing and real estate sectors, and infrastructure financing.

However, a reduction in the medium-term lending facility rate and reserve requirement ratio is unlikely to have much impact now. The problem is weak demand for credit, rather than the lack of liquidity and credit availability, as suggested by the fall in loan growth last month.

But they can be effective when business confidence stabilises after the Shanghai lockdown is completely lifted, ideally in the third quarter of the year. Still, the PBOC is expected to continue to guide market interest rates and the loan prime rates lower.

Other types of stimulus are more likely to be hampered by Covid-19 restrictions, especially consumption-related measures. Given the weak income prospects and the dynamic zero-Covid policy, households are likely to remain cautious and unwilling to spend as much.

Meanwhile, labour market conditions have deteriorated. The surveyed urban unemployment rate rose to 6.1 per cent last month, the highest since the first quarter of 2020, while the average unemployment rate for 31 cities reached 6.7 per cent, the highest on record.

The stimulus measures announced by the Chinese authorities could help stabilise the economy, although the 2022 GDP growth target of "around 5.5 per cent" looks a long way off.

Assuming Shanghai can fully reopen by the third quarter, and barring another similar lockdown in a major city, the economy should recover. But the path is likely to be bumpy and risks remain, which could see GDP growth only reaching 4 per cent this year.

Source: scmp.com– May 30, 2022

HOME

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Texas A&M Report Shows Impact of Higher Crop and Input Prices for 2022

A report by the Agricultural and Food Policy Center (AFPC) at Texas A&M University titled "Economic Impact of Higher Crop and Input Prices on AFPC's Representative Crop Farms" provides insights into the economic impacts of higher crop and major input prices on the center's 64 representative crop farms.

The report was compiled by Joe Outlaw, Ph.D., and Bart Fischer, Ph.D., co-directors of the AFPC in the Texas A&M Department of Agricultural Economics of the College of Agriculture and Life Sciences. Henry Bryant, Ph.D., J. Marc Raulston, George Knapek, and Brian Herbst also contributed to the report.

The AFPC is part of Texas A&M AgriLife Research and the Texas A&M AgriLife Extension Service.
About the Report

"This report is a follow-up to an AFPC briefing paper that analyzed the impact of higher fertilizer prices on the AFPC's representative farms done at the request of U.S. Rep. Julia Letlow," explained Fischer. "The current report analyzes the economic impacts of higher crop and major input prices on 64 representative crop farms throughout the U.S."

The analysis was requested by Sen. John Boozman, a ranking member of the Senate Committee on Agriculture, Nutrition, and Forestry.

"Input suppliers around the world are having a tough time meeting demand for most of the major crop inputs," Outlaw said. "While there are many causes, the most cited revolve around the pandemic and the resulting supply chain and distribution problems that have persisted."

He said in addition to supply chain and distribution issues, inputs such as fertilizer have also been hit with import duties by the U.S. International Trade Commission on phosphorus and urea ammonium nitrate solutions.

"These factors, along with the Russian invasion of Ukraine, with both countries being major fertilizer exporters, have further limited fertilizer availability and led to even higher prices," Outlaw said. "The Russian

invasion has also greatly reduced corn and wheat exports from Ukraine, which has led to higher crop prices around the world."

Fischer said while producers are unquestionably facing higher prices for inputs, it was less clear how those high input prices were translating into increases in the cost of production.

"For example, some producers locked in input prices last year before the significant run-up in prices, and we expect that most producers will reduce input use in response to higher prices," he said.
Analysis of the Report

For this analysis, the AFPC sent each of the 489 representative farm panel members an email to solicit the amount spent per acre on inputs for the 2021 crop year and the amount they expect to spend this year. The percentage change for each category was calculated for each respondent.

"This analysis focuses on the change in net cash farm income for 2022 relative to 2021 to determine whether expected commodity price increases are likely to offset input cost increases as reported by the representative farm panelists," Fischer said. "The ending cash balance on hand at the end of 2022 is also reported to indicate whether net farm income is high enough in 2022 to pay all other obligations such as principal payments, family living expenses, and taxes."

He said projections beyond this crop year for input costs were not possible due to the extreme volatility in input prices.

The 64 crop farms by type included 25 feed grain and oilseed farms, 13 cotton farms, 11 wheat farms, and 15 rice farms. Report results showed:

- Net cash farm income on the 25 representative feed grain and oilseed farms is projected to decline by an average of $534,000 from 2021 to 2022.
- Representative cotton farms face an average reduction in net cash farm income of $716,000.
- Representative wheat farms face an average reduction in net cash farm income of $399,000.
- Rice farms face the largest reduction in net cash farm income per farm at $880,000 and a per acre reduction of $442.

Texas Producers Comment

Matt Huie, a farmer and rancher from Beeville, TX, said rising input costs have significantly impacted operational expenses. In his farming operation, Huie plants about 50% cotton, 25% corn and 25% sorghum.

"The increase in fertilizer has been the most notable of input costs," he said. "There have been several increases over the past year, and currently, we're paying more than double for it than at the same time last year."

He said the cost of chemical inputs such as herbicides and insecticides has also risen and taken a chunk of his operational capital.

"Some of these products are four times as expensive as last year and, due to supply chain issues, we've also had trouble just finding them," Huie said.

He said as a result of higher input costs and drought, his crop yields for both cotton and corn are expected to be down more than 50% from last year.

Huie said although commodity prices have been higher, they have still not been high enough to compensate for all the increased input costs.

"There are likely to be commodity price decreases in the not-too-distant future, but it's probable that any reductions in input costs will be more gradual and will not be enough to offset those price reductions," he said.

Huie said he estimates his operational costs will be close to $1 million more than last year due to input increases ranging from fertilizer to chemicals, fuel, and other necessary supplies.

L.G. Raun, a third-generation rice farmer in El Campo, TX, said he has read the AFPC report and concurs with the conclusions, particularly those regarding the impact of increased inputs on rice farmers.

"In addition to my fertilizer costs more than doubling, my energy costs have about doubled, and associated costs for machinery, parts, and labor have gone up at least 20% from last year," he said.

He noted the loss of revenue from rising costs will likely lead to a 38-year low in rice acres planted throughout the U.S. “In Texas, we planted about 186,000 acres of rice this year but only expect to plant about 175,000 acres next year,” he said.

Raun noted that this reduction in acres planted will also negatively affect the suppliers, processors, and others who service the rice industry. He also said as producers plant less rice, customers will need to seek out other suppliers to meet their needs. “Once you’ve lost market share, it’s pretty hard to get it back,” he said.

Raun said his budget projections indicate his rice farming operation will suffer a “six-digit loss” this year.

Further Considerations

For context, Outlaw noted that net cash farm income in 2021 included a significant amount of ad hoc assistance. “Absent another infusion of assistance in 2022, we estimate that significant increases in input prices will result in a huge decline in net cash farm income in 2022 compared to 2021,” he said.

Outlaw noted, however, that despite significant reductions in net cash income compared to 2021, high commodity prices will likely still keep most of AFPC’s representative farms in the black.

“The noticeable outlier is rice, where two-thirds of the rice farms face losses in 2022,” he said. Outlaw also noted much of the AFPC analysis hinges on producers being able to lock in high commodity prices at average yields.

“But with drought ravaging half of the country and many other areas facing excess moisture, this assumption may be overly optimistic,” he said. “This is perhaps the most important point to note because producers are beginning to plant a crop that will require them to put an enormous – indeed historic – amount of capital at risk.”

Source: cottongrower.com– May 29, 2022

HOME

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China to roll out new measures to remove barriers in foreign trade

China will roll out new measures to remove barriers in its foreign trade and strengthen the stability of its supply chains, according to its ministry of commerce, which recently said one such measure will seek to alleviate the pressure of international logistics. Foreign trade firms can now apply for vehicle passes from local governments to transport key materials.

The government will facilitate smooth domestic transportation of foreign trade goods, and help COVID-affected foreign trade companies resume production as soon as possible, ministry spokesman Gao Feng told an online news briefing.

Gao said the government will expand the scale of direct docking business services between global shipping groups and foreign trade companies, as well as provide more container spaces for small and medium enterprises to sell their products overseas, official Chinese media reported.

The State Council, China's cabinet, released a circular a few days back to guide foreign trade enterprises through current challenges and maintain steady and high-quality growth of the sector to stabilise the economy and industrial and supply chains.

Local governments should establish services and safeguard systems for key foreign trade enterprises, and keep track of and solve their difficulties in a bid to support their production and operations. Support from related departments will be provided to stabilise foreign trade supply chains for businesses affected by COVID-19, the circular said.

The circular reiterated that smooth logistics for foreign trade goods will be ensured. While incorporating them into priority goods categories in transportation, local governments should streamline logistics procedures to reduce the waiting time for berths on international liners, and ensure the transport of important parts, devices and products.

China's foreign trade rose by 7.9 per cent year on year to 12.58 trillion yuan ($1.88 trillion) in the first four months of the year, data from the general administration of customs showed.

The ministry will enlarge the growth space of China's high-level opening-up platforms like foreign trade transformation and upgrading bases, comprehensive cross-border e-commerce pilot zones and pilot free trade zones to further optimise the nation's business environment.

China will also work with member economies of the Association of Southeast Asian Nations to actively build the 3.0 version of China-ASEAN Free Trade Area, and build strong regional economic and trade relations, he added.

Source: fibre2fashion.com– May 30, 2022

HOME

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Germany's import prices in Apr 2022 witness 31.7% YoY rise

Import prices in Germany were 31.7 per cent higher in April this year over the figure in the same month last year. The year-on-year (YoY) rate of change had been 31.2 per cent in March this year and 26.3 per cent in February, according to the Federal Statistical Office (Destatis). Compared with March 2022, import prices were up 1.8 per cent in April 2022.

A higher change on the previous year had last been recorded in September 1974 during the first oil crisis—32.6 per cent over September 1973 figure.

The high price rise was mainly caused by rising energy prices, Destatis noted in a press release.

In April 2022, energy imports were 157.4 per cent more expensive than in April 2021. The largest influence on the YoY rate of the energy price increase was of natural gas with 301.2 per cent rise, followed by crude oil with 77.5 per cent rise.

The index of import prices, excluding crude oil and mineral oil products, increased by 27.6 per cent in April 2022 compared with April 2021 and rose by 2.3 per cent in comparison with March 2022.

The index of export prices was 16 per cent higher in April than in the figure in the same month last year. In March and February 2022, the YoY rate of change had been 15.9 per cent and 12.4 per cent respectively. Compared with March 2022, export prices were up by 0.8 per cent in April.

Source: fibre2fashion.com– May 31, 2022

HOME

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Italy posts better than expected 22.6% growth in fashion sales in 2021

Italy recorded 22.6 per cent growth in fashion sales in 2021 compared to 2020. However, pressure on bottom line increased due to a surge in raw material and energy costs, The Russia-Ukraine war also dampened consumer confidence and stability, as per an outlook by Cirillo Marcolin, President, Confindustria Moda. Their figures show, the sector's sales grew by €16.7 billion to €91.7 billion last year. A similar trend was highlighted by Sistema Moda Italia, the consortium of Italian fashion and textile companies, which posted a sales rise of 18.4 per cent to €52.9 billion in 2021.

According to Confindustria Moda, exports of Italian fashion goods grew 23.5 per cent last year to €67.5 billion with France, Germany, China and the US, among the best-performing importers. Gianfranco Di Natale, General Manager emphasizes, the US showed impressive growth compared to mostly flat growth over the past two decades. At the same time, exports to the UK decreased 10.2 per cent last year, signaling the impact of inflation on consumer consumption there.

A survey among its associated companies allowed the group to forecast like-for-like sales will improve 19.3 per cent in the quarter. The same survey highlighted an expected slowdown in revenue growth for the second quarter, when the impact of the Ukrainian conflict is being felt more broadly and sales should increase 12.9 percent on a comparable basis.v According to Confindustria Moda, exports to Russia and Ukraine declined by 3.1 per cent from 2019 to € 1.72 billion in 2021. They represented 2.5 percent of total exports in 2021. The analyst estimates, 3 per cent of Italian fashion companies generate more than 50 per cent of revenues in Russia and 11 per cent between 10 and 50 percent.

The survey revealed, 49 per cent fashion enterprises expect second-quarter sales to remain flat versus the previous quarter, while 43 per cent forecast deterioration in their performance. Marcolin says, it is important to build supportive culture among the country's entrepreneurs to power through the geopolitical instability and pilot the digitization, internationalization and sustainability of the sector.

Source: fashionatingworld.com– May 30, 2022

HOME

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Pakistan: Little business activity on cotton market

Cotton Analyst Naseem Usman told that rate of cotton in Punjab and Sindh is in between Rs 22000 to Rs 23,000 per maund.

3100 bales of Ghotki and Rahim Yar Khan were sold at Rs 22250 to Rs 23200 per maund.

The new Kappas from Pengriyo was available at Rs 9000, the rate of New Kappas from Mirpur Sakharo, Gharo, Ubaro was in between Rs 9000-9100 while the rate of New Kappas from Gularchi, Berani, Kadhan, Badin was in between Rs 8800-9000, Kappas of Digri, Kunri was sold in between Rs 8800-8900, The rate of new Kappas of Chor Jamali was Rs 9000-9200 and Tando Bhago was Rs8800-9000.

The supply of Phutti from Sindh's began to increase with each passing day. The slight decline in the market caused a stir among the farmers and they intensified the supply in order to make a profit which led to a sharp decline in the market. A spokesman of Punjab Agriculture Department has said that farmers should complete cultivation of cotton by May 31. Only approved varieties of cotton should be cultivated.

The country's apparel textile sector on Sunday warned the federal government of a 'disastrous' implications for the economy if it discontinued the special power tariff to the five export-oriented sectors, saying that the IMF should be told the concessional facilities is not a 'subsidy.'

The IMF should be informed that the special tariffs and DLTL are not subsidies rather 'crucial' export-policy decisions to unburden the export sectors from cross-subsidy to compete with competing nations on the global markets.

"The IMF should be categorically communicated that special energy tariffs and other facility to export industry are wrongly interpreted as 'subsidy'", Pakistan Apparel Forum chairman Muhammad Jawed Bilwani said. He warned the government that any 'unwise' decision following its talks with the IMF to discontinue special power tariff for five export-oriented sectors and will be 'disastrous' for the economy.

The government should understand that the five export sectors re provided with the special energy tariffs at par with those given to industries in the regional countries to ensure the country's products could compete globally. Similarly, the DLTL (the Duty Drawback on Local Taxes and Levies) is also not a subsidy but a policy measure sparing export goods from taxes, he added.

With such a government policy, he said that textile export remained a top performer with $15.4 billion in 2020-21 and it fetched $15.98 billion with over 25 percent growth in 2021-22 (10 months).

Such a robust growth could become possible through the concessional energy tariffs at $6.5 mmbtu for RNLG and 9 cents for electricity, which was being provided previously to the industry at 7.5 cents, he said. The government should honour its commitment to continue the concessional tariff for export industries beyond June 30, 2022 in 'the national interest.' "Therefore, the government should act very wise and thoughtful while taking any decision which will bring any negative impact on exports," Bilwani said.

The Spot Rate remained unchanged at Rs 22500 per maund. The rate of Polyester Fiber was increased by Rs 2 and was available at Rs 305 per kg.

Source: brecorder.com– May 31, 2022

HOME

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New investments, branding help Bangladesh boost denim exports to the US, EU

New investments and branding by global retailers and brands have helped Bangladesh emerge as a powerful manufacturer of denim for the United States and European market

As per a Textile Today report, Bangladesh will remain as the preferred sourcing destination of denim goods as the country has improved the production capacity and invested a huge amount of money in backward linkage industry.

According to the Commerce Department's Office of Textiles and Apparel (Otexa) data, Bangladesh's denim exports grew by 42.25 per cent Y-o-Y to $798.42 million in 2021.

In 2020, Bangladesh exported denim products of $561.29 million to the US market.

In 2021, Mexico, the second largest exporter of denim to the US, earned $655 million and Vietnam earned $402.49 million.

Bangladesh holds a 21.70 per cent share of denim products in the US, while Mexico and Vietnam hold 17.79 percent and 10.93 percent.

According to Eurostat data, Bangladesh's denim products exports to the EU rose by 15.18 percent to $1.18 billion in 2021, which was $1 billion in the previous year.

Bangladesh's share in EU denim market stood at 26.82 percent, while Turkey, the second largest exporter of denim earned $1.13 billion, holds 25.83 percent followed by Pakistan's share was 17.43 percent and it exported denim products worth $768 million.

Source: fashionatingworld.com– May 30, 2022

HOME

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Pakistan: APTMA says textiles are country's shield

All Pakistan Textile Mills Association (APTMA) on Monday issued a rebuttal on an article 'Textiles, our Achilles heel' published on May 24.

A historic cotton decline, gas and energy outages, billions of rupees in tax refunds, efficiency audits, labor and raw material shortages, and other issues have affected the industry considerably. Despite this, the industrial sector performed well, and exports grew.

Industry could only manage $ 13 billion in exports from 1947 to 2018, but in the last four years, exports have doubled, with a goal of $ 26 billion by the end of next fiscal year.

It's almost too easy to blame the economy's lone performing industry for no reason. Before citing the success stories of Bangladesh and Vietnam, one must examine the fundamental challenges that have plagued the exports sector for many years. If things were that straightforward, then why hasn't any other sector of the economy performed adequately in Pakistan's history?

Textile and garment exports increased by 23 percent year on year to $15.4 billion in 2020-21, up from $ 12.5 billion in 2019-20. Moreover, 70 percent of these exports were of items that had undergone extensive processing to make value-added products, which is a good sign.

The Pakistani textile industry has witnessed a higher-value bedsheet, knitwear, and woven garment exports growth, but decrease in lower-value yarn exports. In first ten months of current fiscal year, textile export has increased by 26 percent from $ 12.7 billion to $ 16 billion.

Furthermore, it is hoped that clothing and textile exports would generate $ 21 billion revenue by the end of the fiscal year in June 2021-22. Thus, spreading an air of optimism amidst its debilitating economy and proving the textile sector as Pakistan's Achilles' shield.

However, to our dismay, historically speaking whenever the sector starts taking off, it faces setbacks in the form of flawed analysis leading to policy changes. From 1947 to 2018, we could only achieve $ 13 billion in exports, however in the last four years, exports have doubled.

It also mentions that the textile sector invested $ 5 billion last year, and at this rate, and can add another $ 3 billion this year, with the potential to add further $ 5 billion by the end of next year. Additional capacity of 1.25 million spindles, 6000 air jet looms, and 3 million square meters was increased as a result of this investment, which will reflect in increased exports this coming year.

According to the Observatory of Economic Complexity (OEC), global textile trade was $871 billion in calendar year 2021, accounting for 4 percent of world trade. Pakistan's overall textile trade share was 2 percent, which is a major success and indicates that the country has a lot more potential and acquire more global textile markets. In the current calendar year, Pakistan's textile share of global textile trade is predicted to rise by 20 to 25 percent.

Additionally, increased exports were the result of the implementation of Regionally Competitive Energy Tariffs (RCETs), which reduced conversion costs while making Pakistani products competitive in the international market. When the majority of (regional) markets were down with Covid-19, the industry not only survived but thrived – the industry was running around the clock at full capacity to meet the high demand, which paid off in the form of record exports.

Pakistan had imposed less strict lockdown restrictions during the COVID times than its South Asian neighbors, and the industry has benefited from recent investment by growing clothing and textile exports. Rising cases in typically Bangladesh and India resulted in international buyers' panic buying and relocation of orders to Pakistan.

The textile industry – Pakistan's single largest contributor to exports (60 + percent), manufacturing sector employment (40 percent), and banking credit (40 percent), as well as a nearly 8.5 percent contribution to GDP – is the result of sustained industry profitability rather than window-dressing or fudging numbers.

The provision of Regionally Competitive Energy Tariffs is not a subsidy but a regional rate which is right of any export sector. The cost of RCET as percentage of exports has been only 2.44 percent.

The average regional electricity tariff is 8 cents per kwh, while the average regional gas/RLNG tariff is $ 4.8 per MMBtu. In Pakistan, regionally competitive power tariffs are 9 cents per kwh and $ 6.5 per MMBtu for gas/RLNG. Over the last three years, availability of RCET has resulted in an increase in exports of 23 percent in FY21 and 36 percent this year.

"Cotton productivity in Pakistan has dropped to a historic low level which has resulted in demand and supply gap when the sector is operating at full capacity. High demand of cotton has pushed the cotton prices to a new record height. To bridge the Demand and supply gap, country needed to import the cotton from other countries. Since the increased exports are not the result of higher cotton prices, it is reasonable to assume that reduced yarn and cloth exports have resulted in the production of value-added products."

On deeper analysis the issue boils down to; the unprecedent re-valuation of the rupee to 200 plus. Value added sector booked export orders on the presumption that the rupee would depreciate further and did not book the rupees in advance as they usually do.

In contrast, last year when they had forward booked the currency, the rupee devalued and a lot of firms took a financial hit as they got less rupees to the dollar for the exports. The forward booking of order and exchange rate covers are normal business decisions and the consequence of lower or higher profits losses is a business decision that each section / player of the sector takes and cannot pass the consequences to others.

The Pakistan textile industry exports specialized cotton and synthetic blended yarn, fabrics, and finished fabrics to global brands and retailers, resulting in economies of scale that make Pakistani textile products competitive in international markets. On the other hand, duty free import of yarn and fabric means rendering the domestic cotton industry non-competitive as no one will be buying yarn produced in the country.

When it comes to concessionary finance for the textile sector, the greatest scheme utilized by the sector has been LTFF, and this scheme is not available to indirect exporters. Indirect exporters make up nearly 70 percent of the textile industry, so a scheme that only facilitates about 30 percent of the industry is hardly a major concession.

The only benefit of LTFF to direct exporters who avail it is that of financing new machinery and attracting fresh investment - factors which are part and parcel of export packages bestowed on industry by all our regional competitors.

Concessionary finance is available in all countries. As a result of supportive concessionary finance schemes, China has taken the lead in new investment during the last ten years, with 50.6 percent of installed capacity in 2020, followed by India (19.7 percent), Vietnam (5.4 percent), Bangladesh (5 percent), Turkey (4.3 percent), Indonesia (4.1 percent), and Pakistan (3.3 percent). Despite the low percentage of new investment, Pakistan's share of global installed capacity climbed from 4.4 percent to 6.0 percent between 2010 and 2020 due to minimal depletion of old machinery.

There remains a severe shortage of working capital in the Pakistani market, as turnovers have increased and doubled in rupee terms in the last 3 years, while our regional competitors have much higher credit and longer repayment schedules.

More crucially, these export sector concessions are inextricably tied to the policy rates. The interest rate on the newest Monetary Policy climbed to 13.75 percent, while the rate on Export Finance Scheme (EFS) loans to exporters increased from 3 percent to 7.5 percent.

The rate of the Long-Term Financing Facility (LTFF) loan to purchase machinery for export industries has been raised from 3 percent to 7 percent. As a result, it is demonstrated that these are not at extremely low rates, but rather are tied to policy rates.

Actually, policymakers in our country are subsidizing consumption-based items while taxing sectors that might substantially contribute to export-led growth.

Among all the factors that make the textile sector of Pakistan regionally un-competitive, energy tariff is at the core. Since it makes up around 35-40 percent of conversion cost in textiles, therefore, to keep textile products competitive in the international market, availability of energy at regionally competitive tariff rates is inescapable.

Furthermore, land, water and steam cost share in total cost of production is very minimal, so considering and comparing their prices with regional countries is irrelevant. Most of the steam is produced with coal or fuel oil in Pakistan. Apart from power generation from gas, this steam is as expensive as in the rest of the World.

The baseless assertions regarding inefficient machinery are false, as the industry has invested millions of dollars in capacity and new machinery, and most spinners use state-of-the-art machinery across the value chain. It would be foolish to promote one segment of the value chain at the expense of another. The garment industry gets its raw materials from basic value chain industries.

Source: thenews.com.pk– May 31, 2022

HOME

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NATIONAL NEWS

Import duty waiver on cotton: Piyush Goyal tells concerned authorities to finalise matter early

The minister for Textiles and Commerce & Industry held an interactive meeting with the newly constituted Textile Advisory Group in Mumbai on Saturday to address issues relating to augmenting present supplies of cotton and also strengthening productivity. To meet the present requirement, the minister called for facilitating import from destinations where stocks are available and resolving procedural requirements.

"While addressing the approaches for augmentation in short-term by import, Textiles Secretary Upendra Prasad Singh advised industry to approach the Ministry of Agriculture & Farmers' Welfare for procedural requirements to enable import from some destinations," an official statement said. "As regards extension of the period of waiver of import duty up to December 31, 2022, Goyal directed the concerned authorities to finalise the matter early," it added.

Chairman of the Textile Advisory Group Suresh Kotak stressed the need to ensure seed availability for sowing especially new early maturing varieties and the need to revamp the seed system to enhance productivity of Indian cotton from present stagnation." Position on availability of cotton now was brought out and a request was made to help logistics to ensure shipping in time from three sources internationally," the Textile Ministry statement said.

Kotak shared that as per estimates of Committee on Cotton Production and Consumption, carry over/closing stock is 41.27 lakh bales, which is about 12.66 per cent stock to use ratio and equivalent to stock for 45 days consumption.

The predominantly cotton-based textile industry is facing a long-drawn recession on the cotton front as the cotton price has increased from Rs 44,500 per candy in February 2021, when an 11 per cent import duty was levied on cotton, to Rs 90,000 per candy in March 2022. The steep increase in cotton price and its impact on the prices of yarns and fabrics is severely impacting the potential growth of the cotton textile value chain.

The Central Board of Indirect Taxes and Customs (CBIC) had notified the exemption from Customs duty and Agriculture Infrastructure development Cess for import of cotton. The notification came into effect from April 14, 2022 and will remain in force up to September 30, 2022.

Industry has been demanding removal of 5 per cent Basic Customs Duty (BCD) and 5 per cent Agriculture Infrastructure and Development Cess (AIDC) on raw cotton. Addressing the meeting, Goyal exhorted that containment of factors impinging on productivity need to be tackled in a time-bound manner and the industry should participate in self-regulatory mode.

"The Ginning segment should take responsibility and make pheromone trap technology mandatory to monitor and prevent spread of Pink Bollworm pest attack from Ginneries and oil extraction units to cotton crop in farmers' fields," the minister said.

He suggested that everyone be sensitised for compulsory use of pheromone trap technology through the wide network of the Cotton Corporation of India Ltd, combined with efforts of the state governments. Goyal also emphasized the need for protecting cotton crop from pink bollworm attack with contributions from Cotton Corporation of India Ltd, Cotton Association of India, Confederation of Indian Textile Industry and the Cotton Textiles Export Promotion Council.

Addressing the need of accuracy of statistics across the value chain to enable policy decision, trade facilitation, traceability etc, Goyal directed that a portal be created with inputs of Cotton Association, Ginners as well as Confederation of Indian Textile Industry & the Southern India Mills' Association.

The portal to work on self-compliance mode. If persuasion and self-compliance do not yield results then 'disincentives' can be built in the systems like Cotton Corporation of India Ltd, not to do any transactions with such defaulters and any government benefits be linked to submission of details, the minister said.

Source: financialexpress.com– May 30, 2022

HOME

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To meet present requirement, facilitate import from destinations where stocks available - resolving procedural requirements- Shri Goyal

Union Minister of Textiles, Commerce & Industry, Consumer Affairs and Food & Public Distribution, Shri Piyush Goyal held an interactive meeting with the newly constituted Textile Advisory Group at IMC Chamber of Commerce and Industry, Mumbai yesterday. Shri Upendra Prasad Singh, Secretary Textiles initiated deliberations with the Textile Advisory Group which has Senior Officials from the Union Ministries of Textiles, Agriculture & Farmer's Welfare, Commerce, Officials from Research and Development sector, Senior Official from the Cotton Corporation of India Ltd., and stakeholders. The whole of textile value chain was represented in the consultations through lead associations and experts in the meeting.

Shri Suresh Kotak, Chairman of the Textile Advisory Group & renowned veteran cotton person, chaired the meeting of Textile Advisory Group constituted in pursuance of the directions of Shri Goyal on 17.05.2022 during the Stakeholders consultative meeting at New Delhi.

He particularly stressed the need to ensure seed availability for sowing especially new early maturing varieties and need to revamp seed system to enhance productivity of Indian cotton from present stagnation.

He elaborated on possible approaches to augment availability of cotton relating to stock possibilities domestically and from other countries. Position on availability of cotton now was brought out and request was made to help logistics to ensure shipping in time from three sources internationally.

He said that as per estimates of Committee on Cotton Production and Consumption, carry over/closing stock is 41.27 lakh bales, which is about 12.66% stock to use ratio and equivalent to stock for 45 days consumption. Emphasizing on the need of thinking and working together on principle of "I am because WE are" for the cotton economy.

To look at productivity issues, Shri C.D. Mayee, President, Indian Society for Cotton Improvement highlighted various aspects of cotton agro-economy including latest technique of PB knot to protect cotton crop from pink bollworm attack.

Shri Vikas Patil, Director of Extension and Training, Commissionerate of Agriculture, Maharashtra put forth initiatives by the Government of Maharashtra relating to productivity enhancement, value chain development and pink bollworm management in Cotton.

Shri Goyal exhorted that containment of factors impinging on productivity need to be tackled in time bound project mode manner and the industry should participate in self regulatory mode. The Ginning segment should take responsibility and make pheromone trap technology mandatory to monitor and prevent spread of Pink Bollworm pest attack from Ginneries and oil extraction units to cotton crop in farmers' fields.

He suggested that everyone be sensitized for compulsory use of pheromone trap technology through the wide network of the Cotton Corporation of India Ltd., combined with efforts of the State Governments in this regard.

The Minister also urged the industry to develop models for improving Ginning efficiency and outturn. Shri Goyal also emphasized the need for protecting cotton crop from pink bollworm attack with contributions from Cotton Corporation of India Ltd., Cotton Association of India, Confederation of Indian Textile Industry and the Cotton Textiles Export Promotion Council.

Addressing the need of accuracy of statistics across the value chain to enable policy decision, trade facilitation, traceability etc., Shri Goyal directed that a portal be created with inputs of Cotton Association, Ginners as well as Confederation of Indian Textile Industry & the Southern India Mills' Association.

The portal to work on self-compliance mode. If persuation and self-compliance do not yield results then 'disincentives' can be built in the systems like Cotton Corporation of India Ltd., not to do any transactions with such defaulter and any Govt. benefits be linked to submission of details.

The core issue of Seed quality was deliberated in detail with dedicated action for current season. Joint Secretary, Seeds intimated that sufficient quantity of seed is available to meet the domestic requirement. Industry opined need to distinguish right from wrong types. Shri Goyal emphasized to do campaigns in farming areas to control sale of spurious illegal seeds.

While addressing the approaches for augmentation in short term by import, Secretary, Textiles Shri Upendra Prasad Singh advised industry to approach Ministry of Agriculture & Farmers' Welfare for procedural requirements to enable import from some destinations. As regards extension of period of wavier of import duty up to 31.12.2022, Shri Goyal directed the concerned authorities to finalise the matter early.

Inputs on packaging material in HDPE/ colour thereof would need to be facilitated with the Ministry of Chemical and Fertilisers.

The meeting was co-ordinated jointly by the Textile Commissioner and Cotton Corporation of India Ltd.

Source: pib.gov.in– May 30, 2022

HOME

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Appointment of 'master developers' for mega textile parks prerequisite to shortlisting for PM MITRA

Textile Ministry to soon take call on number of parks per State allowed under the integrated parks scheme, say officials

To ensure that states proposing to set up mega textile parks under the ₹4,445 crore PM MITRA scheme have sufficient funds, the Centre has decided to wait till they successfully rope in 'master developers' before the initial list of 18 proposals is pruned in the first stage of the selection process..

"The Textile Ministry, which needs to select seven projects in a two-stage selection process, will also soon take a call on whether to restrict states to a maximum of one park each instead of allowing them to go for more projects. If it is decided to allot not more than one project to one state, this would also bring down the number of proposals," an official tracking the matter told BusinessLine.

Integrated value chains

Earlier this month, as many as 13 states gave presentations on 18 proposals for setting up a total of seven parks under the PM Mega Integrated Textile Region and Apparel (PM MITRA) scheme to the Textile Ministry. PM MITRA parks will seek to create integrated textiles value chain at one location covering spinning, weaving, processing/dyeing and printing to garment manufacturing.

The states in the race are Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana and Uttar Pradesh.

Limiting uncertainty

"One of the major challenges is getting good master developers as they would be investing a lot of money into the projects. The Centre is giving support limited to 30 per cent of the project cost; the balance money has to be brought in by the master developer. In case a project is shortlisted and then there is problem in getting a master developer, there will be uncertainty. So, the Centre has decided to wait for master developers to be appointed before the first stage shortlisting is done," the official said.

While a master developer can be a private developer or a public sector infrastructure development undertaking under the State government, it has to be selected by floating a RFP (request for proposal), the official clarified. Once the RFP process is complete and developers are selected, the Centre will complete the first stage shortlisting and move to the second and final stage.

1,000 acres required

One basic requirement for states is to have ready availability of contiguous and encumbrance-free land parcel of at least 1,000 acres. Other textiles-related facilities and ecosystem are also welcome and will make the proposal stronger.

“Teams from the Textile Ministry have been visiting proposed sites to assess the ground situation and give inputs for the selection process. The Centre needs to be sure that basic requirements are all in place,” the official said.

The final selection of projects under the PM MITRA scheme will be on the basis of the challenge method, where factors such as availability of raw material, power, water, and related factors such as labour laws and industrial policies will be considered.

Source: thehindubusinessline.com– May 30, 2022

HOME

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India has become one of the fastest growing economies in the world: PM Modi

India trusted its scientists, doctors, youth during the Covid–19 pandemic and did not become a problem but was a solution-giver for the world, Prime Minister Narendra Modi said on Monday.

He also said that coming out of the negative impact of Covid, India has become one of the fastest growing economies in the world.

The Prime Minister was speaking at an event where he released benefits under the PM-CARES for Children Scheme.

Prime Minister Modi transferred scholarships to school-going children. Also, a passbook of PM CARES for Children, and Health card under Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana was handed over to children during the programme.

He said in that atmosphere of negativity during the pandemic, India relied on its strength.

"We trusted our scientists, doctors, our youth. And, we came out as a ray of hope, not a worry for the world. We did not become the problem, but we became the solution giver," he added.

He also said that coming out of the negative impact of Covid, India has become one of the fastest growing economies in the world.

Addressing children who were orphaned due to Covid-19, Modi said the PM CARES for Children is a reflection of the fact that every citizen is standing with them.

The prime minister said that under the scheme if someone needs an education loan for professional courses, for higher education, then PM-CARES will help in that too.

He said ₹4000 would be given every month to these children which would help meet their daily needs.

Speaking about the PM-CARES fund, he said this fund also helped a lot in preparing hospitals, buying ventilators, setting up oxygen plants during the Corona period.

“Because of this many lives could be saved and future of many families could be saved,” he said.

Motivating children who lost their parents in the pandemic, PM Modi said even in the biggest atmosphere of despair, “if we believe in ourselves, then a ray of light is definitely visible. Our country itself is the biggest example of this”.

He said India sent medicines and vaccines to countries around the world.

“Even in such a big country, we took the vaccine to every citizen,” he added.

“We took vaccines to our citizens; about 200 crore vaccine doses have been administered in the country,” he added.

He further said the heights that India has achieved in the last eight years, no one could have imagined earlier.

“Today, India's pride has increased in the world, our India's power has increased in the global forums. And I am glad that youth power is leading this journey of India,” he added.

The prime minister also said that the country is getting out of the vicious cycles of corruption and regional discrimination, in which it was trapped before 2014.

Source: thehindubusinessline.com– May 30, 2022

HOME

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India Q4 GDP preview: Did economic growth slowdown in the last quarter?

The National Statistical Office (NSO) will release the data for India's Gross Domestic Product (GDP) growth in Q4 FY22 and full financial year 2021-22 on Tuesday.

According to reports, Asia's third-largest economy is expected to accelerate in the January-March quarter from a year earlier.

GDP growth stood at 20.3 per cent in April-June quarter (Q1) of FY 2021-22 and 8.5 per cent in July-September quarter (Q2). During the third quarter of 2021-22, economic growth slowed to 5.4 per cent but was higher than China's GDP expansion of 4 per cent during the same period and the country retained its position as the world's fastest growing major economy.

As per the provisional estimates released in May 2021, the GDP had contracted by 7.3 per cent during 2020-21 on account of the outbreak of Covid-19 and subsequent nationwide lockdown to contain the pandemic. The NSO has also revised downward the real GDP growth number for 2019-20 to 3.7 per cent as against the earlier estimate of 4 per cent.

The growth in GDP during 2021-22 is estimated at 8.9 per cent as against a contraction of 6.6 per cent in 2020-21, according to Reuters.

According to the median estimate in a Bloomberg survey, India is likely to register GDP growth of 8.7 per cent in FY 2021-22.

Earlier in May, the Reserve Bank of India (RBI) raised the benchmark repo rate by 40 basis points in an unscheduled meeting.

The rupee's nearly 4 per cent depreciation against the dollar this year has also made imported items costlier, prompting the federal government to restrict wheat and sugar exports and cut fuel taxes, joining the RBI in the battle against inflation.

According to a Reuters report, supply shortages and higher input prices were weighing on output in the mining, construction and manufacturing sector, even as credit growth has picked up and states are spending more.

The consumer sentiment slid in early May, dipping for the second month in a row, as rising fuel prices and broader inflation hit household finances, according to a Refinitiv.

The unemployment rate for persons of 15 years and above in urban areas slipped to 8.7 per cent in October-December 2021 from 10.3 per cent in the year-ago quarter, showed a NSO survey.

RBI Governor Shaktikanta Das said last week that the central bank's primary focus was to bring inflation closer to its target but it could not disregard concerns around growth.

CII President TV Narendran said the Indian economy is expected to grow 7.5-8 per cent this fiscal year with exports playing a key role in the country's success story, however the country needs to remain prepared for any fallout of next wave of Covid-19 pandemic, and the impact of the ongoing Russia-Ukraine war.

Earlier, the World Bank and International Monetary Fund have slashed India's FY23 growth forecast to 8 per cent and 8.2 per cent, respectively.

Source: business-standard.com– May 31, 2022

HOME

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GST has not boosted states' tax collections: Ind Ra

Domestic ratings agency India Ratings on Monday said the GST has not helped states achieve the key objective of boosting their tax revenue.

The rating agency said that the data does not point to any benefits to the states in the last five years since the implementation of GST (Goods and Services Tax).

From June this year, the Centre will stop giving states any compensation for tax collection shortfall. GST compensation for a five-year period was part of the agreement between states and the central government at the time of the roll-out of the new indirect tax regime in 2017.

Several states have asked for an extension of the GST compensation. However, finance minister Nirmala Sitharaman, while presenting the Budget for FY23, has already said that the compensation period will not be extended beyond June 2022.

"...the data available so far does not instill confidence with respect (of) GST achieving or is on course to achieve its two key objectives, namely it boosts the tax revenue and is beneficial for the consuming states," the rating agency said.

The share of state GST (SGST) in States' Own Tax Revenue (SOTR) at 55.4 per cent during FY18-FY21 compared 55.2 per cent during FY14-FY17 indicates that the growth in both SGST and non-SGST components of SOTR has been broadly similar, it said.

"This means the GST implementation did not result in any incremental benefit to the SOTR. Moreover, SGST growth at an average 6.7 per cent during FY18-FY21 has been lower than the 9.8 per cent growth recorded by the taxes subsumed under GST during FY14-FY17," it added.

Until the GST implementation, producing/exporting states used to collect VAT (sales tax) on the sales within the states and also Central Sales Tax (CST) of up to 2 per cent on the inter-state sales, it said.

States where CST was contributing more than 4.5 per cent to their SOTR during FY12-FY17 were Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Meghalaya, Odisha, Sikkim and Tamil Nadu – a mix of both producing and consuming states.

“After the GST implementation, the proportion of CST in SOTR declined to 0.95 per cent in FY21 (RE) from 4.16 per cent in FY17,” it said.

The agency said another way of assessing the GST performance of states is to examine the SGST growth during FY19-FY22, and pointed out that Odisha is the only state having average SGST collection exceeding 14 per cent with a 20.06 per cent growth in SGST between FY19-22, and is followed by Bihar (13.89 per cent), Assam, Andhra Pradesh and Chhatisgarh.

A total of 17 major states recorded average SGST growth of below 10 per cent, while Uttarakhand recorded negative average SGST growth of 4.02 per cent during FY19-FY22.

Source: financialexpress.com– May 30, 2022

HOME

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Insolvency cases: FinMin rolls out mechanism to cut delays in filing of claims by GST, Customs authorities

The Central Board of Indirect Taxes & Customs (CBIC) has come out with a mechanism to enable GST and Customs authorities submit their claims in a timely manner against corporates undergoing Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code (IBC).

It has now come out with a standard operating procedure (SOP) for NCLT cases where insolvency process has been initiated and public announcement inviting claims has been made by the insolvency professional.

90-day timeline

A timeline of 90 days from the insolvency commencement date is available under law for filing of claims, but it has been found that there is an inordinate delay in filing of claims by customs and GST authorities. This leads to their claims not being admitted and extinguished once a resolution is approved.

While there is no official estimate as to how much exchequer may be losing due to delayed filing of claims by GST authorities in NCLT cases, some tax experts put the number to be at least ₹1-lakh crore.

Faced with rejection of claims, the GST authorities most often end up litigating on the rejection of each claims, despite the settled position that no claim can be raised once a resolution plan is approved and no demand can be raised on the resolution applicant who has taken over the company through such a resolution plan.

The latest move of CBIC to put in place an SOP for NCLT cases is expected to help in ensuring that claims are submitted in a timely manner, thereby reducing the likelihood of litigation and result in an increase in collection of tax revenues, said Neeraj Prakash, Partner, Chadha & Co, a law firm.

The insolvency law treats customs and GST authorities as “operational creditors” for the insolvency resolution process.

What is the SOP?

To ensure that the tax authorities are apprised of corporate debtors undergoing CIRP in a timely manner so that they can file their claims well within the timeline prescribed i.e. within 90 days from the insolvency commencement date, the CBIC has nominated the Additional Director General, Directorate General of Performance Management (DGPM) as the nodal officer responsible for coordinating with the Insolvency and Bankruptcy Board of India (IBBI) in this regard.

The nodal officer is responsible for receiving information (on corporates where insolvency process has been initiated) from the IBBI and disseminating it to the zonal offices of customs and GST for ensuring timely action.

Bambi Bhalla, Emissary Counsel, Cornellia Chambers, said this move will help remedy delays and reduce disputes regarding the acceptance/rejection of such claims by the tax authorities thereby reducing unnecessary litigation.

Raveena Rai, Principal Associate at Khaitan & Co, said that it is often seen that tax authorities miss the bus of submission of their claims as operational creditors in CIRPs and thereby resulting loss to the government exchequer.

"They continue litigating seeking admission of their claims right up to the Supreme Court on the ground that they were not aware of the CIRP process and hence could not submit their claims. The CBIC instructions is a necessary step to ensure that tax claims are taken account of in resolution plans and are not extinguished due to non-submission," Rai said.

Neha Naik, Associate Partner, Phoenix Legal, said the SOP applicable to the GST and Customs authorities would enable IBBI to notify identified zonal officers about public announcements which are published for submission of claims in the freshly admitted cases under IBC.

"This targeted sharing of information will streamline the GST and Customs authority's knowledge base in order to keep track of fresh admissions and file their claims as an operational creditor in a timely manner.

"This is proposed to be implemented in view of the fact that tax authorities are known to regularly lapse on the 90-day timeline for filing claims in the CIRP which leads to rejection of their claim as it becomes time barred and an ultimate loss of recoverable revenues to the government," Naik added.

Multiplicity of litigation

Naik pointed out this has in the past also led to multiplicity of litigation as the tax authorities are constrained to approach the NCLTs to get their claims which are otherwise time barred, accepted and verified by the resolution professionals.

The proposed mechanism may help in quick dissemination of information and at the least, timely filing of claims provided the procedures are followed. The ultimate admission of the claim may still be subject to verification, but this move is promising and useful given that a majority of debtors admitted into CIRP have pending GST and Customs dues with the tax authorities having to keep track of large number of fresh admissions, Naik added.

Source: thehindubusinessline.com– May 30, 2022

HOME

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GST council to meet in June, may skip rate rejig

The Goods and Services Tax (GST) Council will likely meet in the second half of June, amid a new debate on the way taxation powers are shared between the Centre and states.

The Supreme Court recently ruled that the council's recommendations are not binding on the Union government and states, but have a persuasive value as the country has a cooperative federal structure.

The council will deliberate on how some states' revenue concerns will be addressed after the cessation of a five-year revenue compensation period on June 30. According to sources, the proposal for a comprehensive rate rationalisation may not be taken up in the council's next meeting, given that it has the potential to raise prices of several products at a time inflation is high and sticky.

Even state governments are not amenable to the idea of rate hikes at this juncture, given the generalised price pressures in the economy. Moreover, a report by a group of ministers, led by Karnataka chief minister Basavaraj Bommai, for this purpose is yet to be submitted.

Under the GST compensation mechanism, which is Constitutionally guaranteed, state governments are assured 14% annual revenue growth for the first five years after the tax's July 2017 launch.

While a much-awaited restructuring of the GST slabs to raise the revenue-neutral rate (RNR), from a little over 11% now to 15.5% could start in a small way this year in areas not prone to inflation, the GST Council will likely consider enforcing a ministerial panel's recommendations on data analytics to tighten compliance and scrutiny of GST returns to augment revenues by plugging leakages.

"There is a huge potential in augmenting revenues through scrutiny of returns," a senior official said.

The Central Board of Indirect Taxes and Customs (CBIC) is currently scrutinising about 35,000 GSTINs (assigned to business entities) for 2017-18 (first year of GST rollout) to see consistency within the returns filed by businesses with regard to input supplies, output supplies, input tax credits and tax payments. "The next batch of GSTINS will be selected

through data analytics in two months for 2018-19 for scrutiny," the official said.

Wherever CBIC finds a gap in compliance, it will take it up with taxpayers. Income tax payments by these businesses will also be tallied at the back-end.

In an indication of increase in compliance, in April 2022, 10.6 million GST returns in GSTR-3B (a self-declared summary GST return filed every month)were filed, against 9.2 million returns filed during April 2021.

The filing percentage for GSTR-1 (a monthly or quarterly return that should be filed by every registered GST taxpayer) in April 2022 was 83.11% as compared to 73.9% in April 2021.
Meanwhile, another GoM led by Meghalaya chief minister Conrad Sangma has recommended raising the GST on online gaming from 18% to 28% to bring the skill game tax rate at par with chance games involving gambling and betting, sources said. The council will consider the proposal in its next meeting.

The council will also likely consider levying GST on entities that provide a mining platform for cryptocurrency assets and those who use virtual digital assets as a medium of exchange in purchases. Currently, 18% GST is levied only on service provided by crypto exchanges and is categorised as financial services.

Source: financialexpress.com– May 31, 2022

HOME

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'MOOWR is a duty deferment scheme'

Presently we import inputs under Advance Authorisation, manufacturing and supplying capital goods to our domestic customers against their invalidation letter for EPCG licence availed by them, which is deemed exports for us. We intend to convert our DTA unit to the MOOWR Scheme. Can we continue to supply capital goods manufactured from a MOOWR bonded warehouse against the customer's EPCG Authorisation, availing the duty-free imported inputs?

The MOOWR scheme is essentially a duty deferment scheme. When you clear goods manufactured in a bonded warehouse, you have to pay duty on the inputs used in the manufacture of the goods -- the duty that you did not pay at the time you imported the inputs.

There is no customs duty exemption for inputs used in the manufacture of capital goods in a bonded warehouse, even if they are supplied to an EPCG authorisation holder. For a DTA unit, the FTP specifically allows advance authorisation to be issued against invalidation of an EPCG authorisation. Against that advance authorisation, inputs can be imported duty-free. There is a customs exemption notification for that.

So, what you can do is ask the EPCG authorisation holder to get his authorisation invalidated for direct imports and obtain an Advance Release Order (ARO) instead of an invalidation letter. When you clear the capital goods from the MOOWR premises, you can pay the duty on the inputs used in the manufacture of the capital goods and claim it as drawback on deemed exports supplied to the EPCG authorisation holder (against ARO).

Under the EPCG scheme, Para 5.04 of HBP says that we have to submit the installation certificate within six months from date of completion of import, to the concerned RA. The RA may allow a one-time extension of the period for producing the certificate by a maximum period of 12 months with a composition fee of Rs5000. There are some relaxations for this provision. Can you please give me the details?

The DGFT had issued PN 37/2015-20 dated October 25, 2017, PN 1/2015-20 dated April 26, 2018, PN 78/2015-20 dated March 11, 2019, PN 55/2015-20 dated January 3, 2020 and PN 01/2015-20 dated April 7, 2021, condoning the delay in submission of the installation certificate. The

last of these public notices allowed the submission of the installation certificate till March 31, 2021.

We are a small-scale unit, established in July 2019. We have total exports and deemed exports of over $3 million, after reckoning the double weightage and exports made during the current year. Can we get recognition as an Export House?

Yes, provided you have exports in at least two of the previous three years, and the current year.

We refer to the Customs notification 29/2022-Cus dated May 21, 2022, raising the export duty on various steel products. Will the export duty be applicable even for exports made in discharge of export obligation against advance authorisation and against orders received before the date of the notification?

Yes. The export duty will be levied in both situations.

Source: business-standard.com– May 30, 2022

HOME

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Demand further weakens in north India, cotton yarn slips in Ludhiana

North India's cotton yarn market noted weaker sentiments as weaving industry further slowed down buying of cotton yarn at current high prices. Cotton yarn of combed variety slumped down by ₹5 per kg in Ludhiana market. However, Delhi market noted stable trend. Recycled yarn used in furnishing textile remained steady in Panipat. Muted demand persisted in the market.

Cotton yarn prices slipped by ₹5 per kg in Ludhiana market as buyers further slowed down buying as they did not find current prices viable for fabric production. A local trader told Fibre2Fashion that weaving industry is not comfortable with the current high prices. Spinning mills have reduced or halted production of cotton yarn and shifted to other type of yarns so they are selling yarn from stocks. But the mills are ready for lowering prices. However, market rate eased down on weaker demand.

In Ludhiana, 30 count cotton combed yarn was sold at ₹425-430 per kg (GST inclusive), according to Fibre2Fashion's market insight tool TexPro. 20 and 25 count combed yarn were traded at ₹400-405 per kg and ₹410-415 per kg respectively. Carded yarn of 30 count was quoted at ₹360-365 per kg.

Delhi market noted steady trend in cotton yarn trade as demand was average. According to trade sources, buyers are hand to mouth. They were buying for immediate requirement. In Delhi market, 30 count combed yarn was traded at ₹410-425 per kg (GST extra), 40 count combed at ₹450-465 per kg, 30 count carded at ₹365-385 per kg and 40 count carded at ₹410-425 per kg.

Panipat market noted steady trend as demand was average. The market is not getting buying enquiries. In Panipat market, 10s recycled yarn (white) was traded at ₹115-125 per kg (excluding GST), 10s recycled yarn (coloured - high quality) at ₹145-155 per kg, 10s recycled yarn (coloured - low quality) at ₹100-110 per kg and 20s recycled PC yarn (coloured) at ₹190-200 per kg. 10s optical yarn was traded at ₹125-130 per kg in the market.

North India cotton prices lowered as many mills have stopped buying the natural fibre as they halted their production shifted to man-made fibre. Cotton prices noted at ₹100,000-102,000 per candy of 356 kg.

The prices came down by ₹2,000-3,000 per candy in the last couple of days.

Source: fibre2fashion.com– May 30, 2022

HOME

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How sustainability is revolving around the fashion industry

Sustainability in fashion involves multiple aspect starting from the products, processes, activities and finally the people behind this in aiming to achieve a carbon-neutral fashion industry, built on equality, social justice, animal welfare, and ecological integrity.

Sustainable fashion concerns more than just addressing fashion textiles or products. It addresses the entire manner in which clothing is produced, who produces it, and how long the life span of a product is before it reaches the landfill. This sustainable movement combats the large carbon footprint that the fashion industry and fast fashion have created by reducing greenhouse gas emissions. Reducing the environmental impact of fashion can combat air pollution, water pollution and overall climate change.

Currently a wide range of fabrics are being used (natural and manmade) to fulfill the fast changing needs of the fashion industry and at the same the concept of slow fashion is coming to the fore to ensure that we maintain a reasonable balance on what we wear , how often we discard our clothes and how subjectively fashionable we are while doing the above.

For example , cotton which is used in more than 50% of the garments worldwide has a deep and far reaching impact on our environment on the way it is currently being sourced.

Conventionally grown cotton uses approximately 25% of the world's insecticides and more than 10% of the world's pesticides However, growing and processing this particular fiber crop is largely unsustainable. For every pound of cotton harvested, a farmer uses up 1/3 lb of chemical, synthetic fertilizer.

As a whole, the US cotton production makes up 25% of all pesticides deployed in the United States. Worldwide, cotton takes up 2.4% of all arable lands yet requires 16% of the world's pesticides. The cotton hulls contain the most potent insecticide residues. They are often used as cattle feed, which means that consumers are purchasing meat containing a concentration of pesticides.

However, due to increased awareness about the above issues fabrics like BT cotton and organic cotton are now being sourced which reduces the impact on the environment significantly. Infact, organic cotton uses 88% less water and 62% less energy than conventional cotton.

Also in the last few years we have come across multiple sustainable fabrics like hemp, soy, bamboo, banana and pineapple fibres which are not only naturally sustainable but biodegradable as well.

Finally , coming to synthetic fibres like polyester which is majorly used across the world to create fast fashion. "Fast" clothing is made with synthetic fibers as opposed to natural fibers. The synthetic fibers are made using the Earth's fossil fuels.

Almost sixty percent of our clothes are made this way. Since people spend so much money on these types of clothes and purchase them so frequently, landfills are filling up quickly. Over sixty percent of clothes made every year end up in landfills as consumer waste, and almost twenty percent of the world's waste is constituted by fashion products.

While there will always be a case in point for fast fashion and changing trends and the ever increasing "pressure" on brands to churn out new designs , product lines faster than their competitors , this also can be done sustainably. PET plastics which are mainly used in beverages (soda, juice bottles and now even medicines) can be converted into polyester and this in turn combined with blends can make some of the fabrics that are currently being used in large quantities across the world.

Generally, PET plastic clothing are made from recycled bottles as follows: plastic bottles are collected, compressed, baled, and shipped into processing facilities where they will be chopped into flakes, and melted into small white pellets.

Then, the pellets are processed again, and spun into yarn-like fiber where it can be made into clothing. One main benefit of making clothes from recycled bottles is that it keep the bottles and other plastics from occupying landfill space. Another benefit is that it takes 30% less energy to make clothes from recycled plastics than from virgin polyesters.

In conclusion , it is essential that we as manufacturers or retailers must take responsibility for the social and environmental cost of clothes.

For every garment that we make , if we ensure that the same is sustainably produced not only at the product level but also in terms of their accessories, packaging and presentation, we certainly could create an indefinite positive impact on our environment.

Source: timesofindia.com– May 30, 2022

HOME

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T-shirts & shirts constitute 31% of India's total apparel exports

T-shirt and shirts were the dominant items of India's total apparel exports in last fiscal 2021-22 that ended on March 31. An analysis based of data of Fibre2Fashion's market insight tool TexPro revealed that the export of T-shirts and shirts in knitted and woven segments totalled $4.516 billion, which was 31.62 per cent of total apparels exports.

As per the data from Texpro, India's total apparels exports during the year was $14.281 billion, which comprised of 51.79 percent knitted apparel and 48.21 per cent of woven apparels. India exported knitted garments of $7.396 billion while woven garments export was valued at $6.884 billion.

The export share of T-shirts in knitted apparels was 29.87 per cent while the share of knitted shirts was 9.39 per cent of total knitted apparels export. In value terms, knitted T-shirts export was $2.209 billion while shirts fetched $694.795 million last fiscal.

In woven segment, the share of shirts was 23.44 per cent of all woven apparels export from India, valued at $1.613 billion.

Source: fibre2fashion.com– May 31, 2022

HOME

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