LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

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India again extends implementation of QCO on cotton for one year

The Indian government has once again extended the implementation of the Quality Control Order (QCO) on cotton for one year. The Ministry of Textiles issued a notification stating that the QCO will now come into effect from August 27, 2025. The government has implemented QCO on polyester, viscose fibre, and other products, but it has not taken the same tough stand with cotton fibre.
According to the notification issued by the Ministry of Textiles last week, the Cotton Bales (Quality Control) Order 2023 will now take effect from August 27, 2025. It was initially set to come into effect in 2024 and was originally scheduled for 2023.

India's ginning industry is opposed to the stringent norms of the QCO. The industry is unable to meet the quality standards prescribed by the Bureau of Indian Standards (BIS) for moisture, trash, and other specifications. The QCO requires heavy investment in modern machinery, but the industry is largely dominated by MSME units. These units operate with basic machinery and face difficulties in modernising their plants.

The Cotton Association of India (CAI) and other industry organisations had requested an extension, believing that implementing the QCO in one go is impractical.

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Time ripe for India-Malaysia Comprehensive Strategic Partnership: PMs

Recognising that India-Malaysia ties have evolved and matured across a broad spectrum of areas and that this has significantly widened and intensified the relations, Prime Ministers Narendra Modi and Anwar Ibrahim have concluded that the time is propitious for relations to be further consolidated into a Comprehensive Strategic Partnership.
Both prime ministers recognised that the Enhanced Strategic Partnership between both sides established in 2015 has helped in advancing bilateral ties into a multidimensional one.

Ibrahim arrived in India on August 20 on an official visit and met Modi, Indian President Droupadi Murmu and external affairs minister S Jaishankar.

Both held discussions on the entire range of bilateral cooperation, including political, defence and security, economy, trade, digital technologies, start-ups, fintech, energy, healthcare, higher education, culture, tourism and people-to-people relations, a release from the Indian Prime Minister's Office said.

Both leaders witnessed the signing of MoUs on cooperation in several fields, including digital technologies. An MoU in financial services was signed between the Labuan Financial Services Authority and the International Financial Services Centres Authority, India.

India-Malaysia trade has reached a record high of $19.5 billion.

Both sides agreed to support and expedite the review process of ASEAN-India Trade in Goods Agreement (AITIGA) to make it more effective, user-friendly and simple for businesses, aiming to conclude it in 2025 and to strengthen supply chains between India and ASEAN countries.

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India's Andhra Pradesh govt to release new textile policy: Minister

India's Andhra Pradesh state will release a new textile and garments policy to attract substantial investments in the sector, which the government has identified as a key driver for jobs and economic growth, according to state textile minister S Savitha.
She said this while addressing a video conference with textile industry leaders from the secretariat recently.

She said the textile industry is keen on investing in the state and the government has been working to foster a conducive environment for attracting investments.

She said many industrialists had fled the state or shut down operations during the previous government's tenure, according to media reports from the state.

There are many opportunities to set up textile units in agro textiles, geo textiles and mobile textiles sub-sectors in the state, she said.

She said the state ranks second in the country in silk production, sixth in cotton production and seventh in jute production. There are nine textile and apparel parks in the state, including three in the private sector.

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Commerce Minister Goyal warns rapid e-commerce growth could cause social disruptions, hit millions of retail stores and jobs.

Commerce and Industry Minister Piyush Goyal on Wednesday (August 21, 2024) raised pointed questions about the business and pricing strategies of major e-commerce players like Amazon in India, and dismissed a report that concluded e-tailers' growth did not pose a significant risk to employment opportunities in the county.

Although he acknowledged that e-commerce is here to stay, the Minister stressed that the sector's growth must be 'orderly' and 'citizen-centric', and its role must be cautiously mulled over. "…Are predatory pricing policies good for the country?... I don't see it as a matter of pride that half our market could be driven by e-commerce 10 years from now. It's a matter of concern," he said

"Are we going to cause huge social disruption with this massive growth of e-commerce?" he asked, referring to the detrimental effects of online retailers eating into the business prospects of 100 million small retailers across the country. In particular, he said e-tailers are clocking phenomenal growth in sales of items that provide higher margins, and are essential for small stores' survival.

Speaking at the launch of a report on the "Net Impact of E-Commerce on Employment and Consumer Welfare in India", issued jointly by EY India and Pahle India Foundation, Mr. Goyal completely disassociated himself from its findings. The report's conclusions seemed to be driven by the "urge to show" that e-commerce hasn't had an impact on employment, the Minister said, and repeated Mark Twain's famous quip about there being three kinds of untruths — "lies, damned lies and statistics".

Citing the experience of Europe and America, Mr. Goyal noted the advent of e-commerce had endangered the corner shops and Mom and Pop stores there. "Why did Switzerland not allow e-commerce to come in, until very recently, and even now, I think it's very limited?" he pointed out.

Beyond traditional e-commerce, the Minister also flagged concerns about the impact of cloud kitchens and online food delivery apps on restaurants, the effect of online medicine sales on the five lakh pharmacies, and the emergence of large mobile phone stores by players like Apple and large retailers hitting smaller neighbourhood phone shops.

"There are large sections out there who still deserve our affirmative action, who still need help. Every child in this country has not got the privilege to come to such sessions or interactions. Therefore, even when it comes to jobs, when it comes to opportunities for the future of India, I think all of us will have to play our part," he remarked.

While technology is a means to innovate and meet consumer requirements with a tad more efficiency, Mr. Goyal said: "We will have to see that this connectivity and convenience is citizen centric, so it democratises or socialises the benefits to larger sections of society, it ensures that in the race for market share with a 27% annual growth, we don't land up causing huge disruption for the 100 million small retailers across the country who also serve."

Amazon worries

"When Amazon says we are going to invest a billion dollars in India, and we all celebrate, we forget the underlying story that that billion dollars is not coming in for any great service or any great investment to support the Indian economy, they made a billion dollar loss in their balance sheet… If you make ₹6,000 crore in losses in one year, doesn't that smell of predatory pricing to any of you?" the minister asked.

Noting that the company apparently spent $1 billion paying professionals in India, the Minister mused that the firm may have spent the money to retain the country's top lawyers "so there's nobody left to fight" against them.

"What is that loss? As an e-commerce platform, they are not allowed to do B2C [business to consumer] transactions," Mr. Goyal said, apparently referring to Press Note 3 of 2016, a regulation that prohibits e-commerce firms holding their own inventory of goods, from receiving foreign direct investment.

"They create entities where Indians contribute to the creation of those entities, then they get caught and shut down those entities. But they only re-route all the business through an entity to show that it's business to business. But the reality is all of you buy on these platforms. But B2C is not allowed on these platforms. How are they doing this? Should this not be a matter of concern for all of us?" the minister underlined.

While e-commerce firms have rapidly grown, the government has expressed wariness on their power, and potential to do harm to small retailers — a significant bloc of voters. This led to, for instance, an icy reception to then Amazon CEO Jeff Bezos in 2020, when Mr. Goyal made some similar remarks ahead of the executive's visit to India — he questioned the value of the firm's $1 billion investment in India, when it had just posted losses amounting to that number.

Since December 2021, the government has pushed the Open Network for Digital Commerce, an initiative to combat the vertical integration of platforms by unbundling various parts of e-commerce to discrete roles like logistics, discovery and sellers.

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Over Rs 80,000 crore worth GST notices issued for assessment year 2018-22

The investigation arm of the Goods and Services Tax (GST) authority has issued over 20,000 notices pan-India for assessment year (AY) 2017-18 to AY2021-22, involving tax demand of over Rs 80,000 crore, according to an initial estimation.

The Directorate General of GST Intelligence has shot the notices for a wide range of issues, including alleged shortfalls in tax payment, reversal of input tax credit (ITC), and interpretation of certain legal provision affecting a large number of taxpayers and businesses. Maximum number of show-cause notices were time-barred for August 5, for AY2017-18.

The investigation agency was mandated to issue notices at least six months before to the end of the five years. Consequently, notices were sent out before August 5 and final orders are anticipated by February 5, 2025.

"These involves pre-GST notices which may or may not be converted into GST notices, depending on the response of the companies," an official privy to the matter said. Notably, deadline for AY2018-19 is June 30, 2025.

The notices were served under Section 74 of the Central GST Act, seeking response on the alleged mismatch in the sales data reported in the GST returns with that in the annual financial statements.

"GST show-cause notices have been issued across businesses, pursuant to both audits and investigations, making it essential for businesses to respond in a time-bound manner.

Such responses will require collation of previous period data, reconciliations with accounting records and other tax data and appropriate interpretations — all of these need significant time and efforts from businesses," said MS Mani, partner, Deloitte. Section 74 of the CGST Act provides that a notice can be issued by the relevant authorities to recover tax potentially underpaid or unpaid, or refunded in error, for reasons of fraud, wilful misstatement, or suppression of facts to evade tax, under the extended period of limitation.

Over the years, stricter disclosure requirements, such as e-invoices for business-to-business transactions, enhanced data collection, and digitised payment system, aided tax sleuths to improve compliance.

Some of the sectors that have been served notices include foreign airlines, shipping companies, insurance firms, online gaming companies, information technology entities and many more.

However, time and again, the Central Board of Indirect Taxes and Customs (CBIC) intervened and issued guidelines to promote uniformity in GST notices as well as for audit exercise. The instruction mandates zonal chief commissioners to consult GST policy experts when facing interpretative challenges. "This move aims to create a more predictable business environment by reducing inconsistencies in audit findings, minimizing litigation, and streamlining the overall audit process. The CBIC's emphasis on standardized interpretation underscores its commitment to fair business practices while ensuring robust GST compliance," said Saurabh Agarwal, tax partner, EY.

However, majority of notices have been served for fraud ITC. To tackle the menace, the department has undertaken a special drive to weed out fake registrations. So far, about 1.2 trillion tax evasion cases have been detected and as many as 59,000 entities identified for verification in order to ascertain whether they are fake.

About 49.8 million ITRs (income tax returns) have already been processed by the tax department, and intimations sent to taxpayers. Of this, 39.2 million ITRs were processed in less than 15 days.

Review of I-T Act in 6 months: CBDT chief

The task of reviewing the Income Tax Act of 1961 will be completed in the given timeframe of six months, CBDT Chairman Ravi Agrawal said on Wednesday. “We have an important task on hand and that is the comprehensive review of the Income Tax Act, 1961. This exercise is aimed to reduce litigation and provide tax certainty to taxpayers”, Agrawal said during an event held here to mark the 165th Year of Income Tax in India.

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Pvt sector’s role vital in ensuring durable 8% real GDP growth in India: IMF executive director

Read more at : https://m.economictimes.com/news/economy/indicators/pvt-sectors-role-vital-in-ensuring-durable-8-real-gdp-growth-in-india-imf-executive-director/articleshow/112684981.cms

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India's $55 Trillion Economy Target Ambitious, But Achievable: IMF Executive Director

India's economy is projected to grow to $55 trillion by 2047 if the country is able to register an average real growth rate of 8 per cent in the coming years which is an ambitious but achievable target, IMF executive director Krishnamurthy V Subramanian has said.

Speaking at a media event in New Delhi, he said that 8 per cent is achievable, given the country's demographics and Government policies that have been implemented to drive up the growth rate over the past 10 years like the public digital infrastructure, innovation and entrepreneurship.

"If you take entrepreneurship, World Bank data shows that new firm creation surged from 2014 onwards. As a result, India has the third-largest entrepreneurial ecosystem in the world, which will help with the productivity growth in the formal sector," he said.

He further stated that formalisation of the economy which is taking place at a fast pace, will lead to higher productivity as between two-thirds to three-quarters of the Indian economy is informal, and informal sector firms are far less productive than formal sector companies.

"Formalisation is going to be a key driver for productivity growth in India, which is already happening through the (vast) public digital infrastructure," he added.

Answering a question on the World Bank's claim that India will take 75 years to reach one-fourth of the US's per capita income, the top IMF official said that the definition of middle income is quite wide and even if a nation increases its GDP per capita by two, three, or four times, it remains trapped in the middle-income trap.

He also emphasised on manufacturing growth being critical to countries to escape middle-income trap and highlighted the importance of having a sunset clause for subsidy schemes provided to the industry.

Last month, the IMF raised India's GDP growth forecast for 2024-25 to 7 per cent from 6.8 per cent earlier on the back of "improving private consumption, particularly in rural India."

"The forecast for growth in India has also been revised upward, to 7 per cent, this year, with the change reflecting carryover from upward revisions to growth in 2023 and improved prospects for private consumption, particularly in rural areas," the IMF said in its World Economic Outlook report.

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Africa can compliment India's need for critical minerals needed for sectors like EVs: Union Minister Shri Piyush Goyal

Union Minister of Commerce and Industry Shri Piyush Goyal said that Africa can compliment India's need for critical minerals needed to some sectors like EVs. Shri Goyal said this while addressing the Special Plenary with Trade Ministers at the 19th CII India Africa Business Conclave in New Delhi today.

Shri Goyal highlighted the potential for collaboration in the mining sector given that Africa is rich in minerals. He emphasized the importance of sustainable mining practices and the value addition to minerals in both India and Africa through joint partnerships.

Shri Goyal set an ambitious goal of doubling trade between India and Africa in the next seven years. He pointed out that there is huge potential for trade between African countries and India. The Minister mentioned that 33 African countries do not participate in India's Duty-Free Tariff Preference (DFTP) Scheme for Least Developed Countries (LDCs) and urged them to take its advantage.

The Minister emphasized that India’s strengths in agriculture, pharmaceuticals, textiles, automobiles, and renewable energy align with Africa’s development needs. He also noted that Africa's strengths in mining, tourism, agricultural products, and manufactured goods complement India’s growth requirements. The focus, he said, should be on equitable trade.

Shri Goyal highlighted the potential of a technology-driven partnership between India and Africa, particularly in the IT sector. He urged the use of India's Digital Public Infrastructure to drive deeper technology penetration in Africa, enhancing financial inclusion, social sector development, transparency, digitalization, and job creation.

Commerce Minister highlighted the entertainment sector as an area with significant potential for mutual collaboration. He cited the example of Kili Paul from Tanzania, who gained popularity globally by engaging with Bollywood music. Shri Piyush Goyal also underscored the potential for cooperation in sports and cultural exchange.

Addressing the issue of food security, the Minister noted that India can significantly contribute to Africa's agricultural sector. He mentioned the growing demand for oilseeds, pulses, and other crops in India and proposed collaboration in plantation sectors in Africa for export to India.

Shri Goyal recognized the critical role of the Medium, Small, and Micro Enterprises (MSME) sector in both India and Africa. He called for enhanced cooperation to create more jobs, support MSMEs, and foster entrepreneurship. He encouraged expanding relations between MSMEs on both sides and emphasized the potential of the startup ecosystems in India and Africa to engage and grow through collaboration.

Shri Goyal expressed confidence in the tremendous potential of the India-Africa relationship, stating, "We are very aligned in our desires, ambitions, and aspirations. We are looking for a better quality of life for our people, greater investments, and economic growth and prosperity. While our trade and investments have been strong, there is so much more that we can achieve together."

He praised the efforts of the CII India Africa Business Conclave for enhancing cooperation between India and Africa, urging participants to set ambitious targets and work diligently to achieve them.

Shri Goyal echoed Prime Minister Modi's vision of a global compact between countries of the Global South, which opens new avenues for mutual interest and expanded cooperation. He also mentioned India’s assistance to Africa through 196 Lines of Credit, amounting to over US$12 billion, benefiting over 42 countries.

The Minister highlighted the collaborative efforts under the leadership of Prime Minister Shri Narendra Modi to bring the African Union (AU) into the G20 as a full member. Shri Goyal noted that India's efforts to raise African issues in various global forums, marks the beginning of a strengthened partnership between India and Africa.

Shri Goyal concluded by emphasizing the potential of a resurgent Africa and a rising India to give strong impetus to South-South cooperation. He called on developing and less developed countries to aspire to bigger goals and work together for the prosperity and well-being of their people, aligning with India's goal of becoming a developed nation by 2047.

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India, Africa should target doubling bilateral trade to $200 billion in 7 years: Goyal

India and Africa should target doubling two-way trade to $200 billion in seven years and try and include more African countries in the partnership so that its full potential is reached, Commerce & Industry Minister Piyush Goyal has said.

As many as 33 African countries do not participate in India's Duty-Free Tariff Preference (DFTP) scheme for Least Developed Countries and they should take advantage of the scheme, the Minister said, addressing the Special Plenary with Trade Ministers at the 19th CII India Africa Business Conclave in New Delhi on Wednesday.

"Can we look at getting more and more countries to enjoy the fruits of this partnership and set a benchmark to double this trade number from $100 billion to $200 billion between India and Africa. I think we should look at doing that in seven years," Goyal said.

Deeper ties

The Minister pitched for deeper India-Africa bilateral partnerships in areas like critical minerals, entertainment, and added that technology-led cooperation in agriculture will strengthen the food security of both regions.

Goyal said that Africa can compliment India's need for critical minerals needed for sectors like EV. "He emphasised the importance of sustainable mining practices and the value addition to minerals in both India and Africa through joint partnerships," per a press statement.

On the issue of food security, the Minister said India could contribute significantly to Africa's agriculture sector and proposed collaboration in plantation sectors in Africa for export to India.

India's strengths in agriculture, pharmaceuticals, textiles, automobiles, and renewable energy align with Africa's development needs, Goyal said. He also noted that Africa's strengths in mining, tourism, agricultural products, and manufactured goods complement India's growth requirements. The focus, he said, should be on equitable trade.

Goyal offered the use of India's digital public infrastructure to drive deeper technology penetration in Africa, enhancing financial inclusion, social sector development, transparency, digitalisation and job creation.

Focussing on the entertainment sector as an area with significant potential for mutual collaboration, Goyal cited the example of Kili Paul from Tanzania, who gained popularity globally by engaging with Bollywood music.

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Rs 15,000 crore PLI sops likely this fiscal

The government may double the disbursements under production-linked incentive (PLI) schemes in this fiscal to Rs 15,000 crore. This would be more than double the amount of Rs 6,800 crore disbursed to various sectors in FY24.

The combined investments under the PLI schemes had hit Rs 1.3 trillion at the end of May, according to official estimates.

The PLI schemes were launched in 2021, covering as many as 14 sectors. However, only Rs 9,721 crore or 5% of the Rs 1.95-lakh-crore incentives earmarked for them was disbursed till March 2024.

The government is undertaking a revamp of the PLI schemes by relaxing the norms for the release of funds by accepting applications for the release of incentives every quarter, compared to the earlier norm of annual releases of the funds.

Of the Rs 14,837 crore estimated release of incentives in FY25, the large-scale electronics manufacturing sector, mainly mobile manufacturers, will account for a lion's share of Rs 6,044 crore or 41% of the total disbursals.

Telecom and networking product firms are estimated to get Rs 3,434 crore or 23%, followed by pharma firms at about Rs 2,000 crore or 13%. Four sectors – automobiles and auto components, advance chemistry cell, textile products, and specialty steel – may receive some incentives for the first time in FY25.

Under PLI, firms would have to meet multiple criteria like investment, production, localisation and incremental sales to qualify for the incentives.

Another issue that is hurting the PLI schemes is the cumbersome procedure to claim incentives. For example, in the auto and telecom equipment PLIs, the products will be tested against mandatory benchmarks by the administrative departments, which are ill-equipped to handle these issues, officials said.

Experts at Crisil observed that sectors with a higher incentive-to-sales ratio and relatively straightforward rules for payouts such as mobile handsets may see the most payouts by fiscal 2028. However, at least eight sectors would see incentive payouts stretch until fiscal 2030.
Companies have invested around `1.28 lakh crore till May 2024 under all the schemes or about 43% of the `3 lakh crore committed. The investments have generated incremental sales/production of over `10.81 lakh crore and the creation of 548,000 direct jobs (another 291,000 indirect jobs also created).

Under the PLIs, pharma firms are the top investors with Rs 29,482 crore till May 2024 against their target of Rs 18,385 crore till FY25. Other top investors include high-efficiency solar PV modules (Rs 29,233 crore), automobile and auto components (Rs 17,896 crore), specialty steel (Rs 15,520 crore), and large-scale electronics (Rs 8,290 crore). Sectors which are lagging in investments include textiles.

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ICE cotton continues to rise on weaker dollar, crop worry

ICE cotton continued to rise due to further weakness in the dollar index and crop concerns in the US. The market maintained positive momentum and settled with gains. US cotton touched a new weekly high due to positive factors. However, overall demand was still slow.
Yesterday, the ICE cotton December contract settled at 69.34 cents per pound (0.453 kg), up 0.66 cents. The contract jumped to its highest level since August 12.

The US dollar index continued to decrease and touched a seven-month low below the level of 102. Weakness in the dollar index made cotton purchases attractive for foreign buyers. However, crude oil noted a bearish tone, which limited cotton gains.

The trading volume for the day was 29,751 contracts, while 37,982 contracts were cleared the previous day. Open interest decreased by 996 contracts, starting the day at 232,280 contracts. December open interest dropped by 2,107 contracts, with December open interest beginning the day at 151,785 contracts. According to ICE data, the certified stock levels remained unchanged at 12,767 bales.

According to the US Department of Agriculture (USDA), the quality rate of US cotton dropped to 42 per cent as of August 18, 2024, down from 46 per cent the previous week, but still better than 33 per cent in the same period last year. The cotton crop in the Delta region remains relatively healthy, but West Texas is facing a severe drought that is negatively affecting crop health.

Traders are still facing weak demand despite crop uncertainties and the economic outlook in the coming days.

Currently, ICE cotton for December 2024 is being traded at 69.36 cents per pound, up 0.02 cents. Cash cotton is traded at 64.30 cents (up 0.82 cents), the October contract at 68.82 cents (up 0.02 cents), the March 2025 contract at 70.78 cents per pound (up 0.10 cents), the May 2025 contract at 71.76 cents (up 0.55 cents), and the July 2025 contract at 72.25 cents (up 0.15 cents). A few contracts remained at the level of the last closing, with no trading noted today.

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Cambodian, Philippine central banks sign MoU for enhanced cooperation

The Phipppine central bank (BSP) and the National Bank of Cambodia (NBC) recently signed a memorandum of understanding (MOU) to foster closer cooperation.
BSP governor Eli Remolona Jr. and NBC counterpart Chea Serey signed the agreement in Siem Reap, Cambodia, where a high-level meeting between both the banks discussed macroeconomic and financial developments and outlook, developments related to payment systems, artificial intelligence, cybersecurity and sustainable finance, and opportunities for further cooperation in these areas, a news agency reported.

The bilateral meeting and the MoUs are expected to encourage further collaboration in central banking, payment connectivity and innovation, digital financial innovation, banking supervision and human resource development.

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Projects funded by China in Bangladesh will continue as planned: Envoy

Projects funded by China in Bangladesh will continue as planned during the interim government's tenure, Chinese ambassador to the country Yao Wen recently assured after his first meeting with the latter's finance and planning adviser Salehuddin Ahmed.
Both discussed potential new support from China as well.

Ahmed proposed lowering interest rates on Chinese loans and extending repayment periods by an additional ten years, according to domestic media reports.

Objections raised by Bangladesh regarding Chinese loan interest rates were discussed and there is enough opportunity for further discussions on the matter, the envoy said.

Ahmed said the Tk 18 lakh crore ($151.53 billion) debt burden left by the last government is an immense pressure.

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