



YEARS OF SERVICE TO THE TEXTILE INDUSTRY

Speech

by

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Chairman

at the

60th

Annual General Meeting

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Mumbai



Confederation of Indian Textile Industry

Mr. Ilkhom Khaydarov, Hon'ble Minister of Textiles of Uzbekistan and Chairman, Uzbekistan Textile and Garment Industry Association, Past Chairmen of CITI, my colleagues Mr. T. Rajkumar, Deputy Chairman and Mr. D. L. Sharma, Vice Chairman, esteemed members, Member Associations and Associate Members of CITI, NSE & ZDHC officials, invitees, representatives of media, distinguished guests, ladies and gentlemen!

It gives me a great pleasure to extend a warm welcome to all of you to the 60th Annual General Meeting of Confederation of Indian Textile Industry (CITI). It is indeed a great honour for me to welcome our Guest of Honour, Hon'ble Minister of Textiles of Uzbekistan, Mr. Ilkhom Khaydarov. Excellency, your presence here today underscores the value you attach to the promotion of trade and investment in Textiles between India and Uzbekistan. Today's proceedings will help us to understand the overall scenario of World and Indian economy and how Textile Industry, especially Indian Textile Industry has performed in the last one year. Irrespective of many major challenges we witnessed during last few months, I am happy to share that our Industry is again on the growth path. Let me also present you in brief the major activities that CITI has undertaken during this period.

The 60th Annual Report and Audited Accounts of CITI and CITI CDRA along with the Auditor's Report for the year ended 31st March 2018 are already with you.

With your permission, I take them as read.

The Economy

We are meeting at a time when the world economy is showing trends of volatility, dollar appreciation, trade tensions and geopolitical conflicts. At the same time, it's heartening to know that India has become the world's sixth-largest economy, pushing France into seventh place, according to the latest World Bank data for 2017. Global trade architecture is rapidly changing as major economies have put up protectionist barriers. Believe it or not, 'trade war' has become a common term this year. Indian government and the textile industry have already started feeling the heat of the situation as USA continues to remain the largest market for its textiles and apparel.

Government of India under the able leadership of the Hon'ble Prime Minister, Shri Narendra Modi has taken various initiatives to improve the confidence in the Indian economy and to boost its economic growth. Macroeconomic developments this year have been marked by unprecedented events. In the first half, India's economy temporarily decelerated as the rest of the world accelerated. The reason that buffeted the economy include demonetization, teething difficulties in the GST, high and rising real interest rates, etc. Economic growth improved as the shocks began to fade and corrective actions were taken. The overall economic growth in 2017-18 was estimated at 6.7%. Reflecting the cumulative actions to improve the business climate, India jumped 30 spots up on the World Bank's Ease of Doing Business rankings, while similar actions to liberalize the Foreign Direct Investment (FDI) regime helped increase inflows by 20 per cent.

Looking forward, growth in India is projected to be about 7.4% in 2018 and 7.8% in 2019 on account of strong private consumption as well as fading transitory effects of demonetization as well as implementation of GST. The efficiency relating to GST will start reflecting in the coming years in terms of reducing internal barriers to trade, increasing logistics efficiency and improving tax compliance.

From policy perspective, India's continuous efforts on reforms, such as the “Make in India” initiative along with above mentioned initiatives are expected to encourage formal sector activity, broaden the tax base and improve long-term growth prospects. However, the downside risk to growth estimates emanates from higher crude oil prices. Also, the protectionist tendencies in some of the countries could have an impact on exports growth, while the possibility of tightening of monetary conditions in the developed countries could lead to lower capital inflows.

India's currency has faced considerable volatility for most part of the year vis-à-vis the US dollar. Devaluation of rupee in the last few months may help in making Indian exports competitive globally and imports dearer.

I am very hopeful that with the support from the Government of India, Indian textile industry can withstand and overcome these challenges and emerge as a global giant in the trade.

Performance of the Textile industry

- Area under cotton cultivation in 2017-18 is estimated at 124 lakh hectare. Production in 2017-18 reached 370 lakh bales as compared to 345 lakh bales last year. Hence, the cotton position remained relatively comfortable during the coming year.
- Cotton prices were highly volatile during the 2017-18 with Shankar-6 prices ranged between Rs. 37,200 and Rs. 48,000 and the yearly average worked out to Rs. 40,333 per bale, which is almost similar to per bale price of Rs. 40,358 last year.
- Production of man-made fiber and filaments in 2017-18 was valued at 1,319 and 1,187 million kgs respectively as compared to 1,364 and 1,159 million kgs last year.
- Consumption of man-made fiber and filament yarn during the same year was 1,100 and 685 million kgs respectively comparing to 1,153 and 675 million kgs of last year.
- All yarn production during the year reached 5,680 million kgs which is almost similar to production of 5,659 million kgs in 2016-17.
- Total Fabric production is estimated at 67,455 million sq. mtr. in 2017-18.
- Presently, India is the second largest exporter of textiles and apparel with a share of 5% in textile and apparel. Textiles sector is one of the largest contributors to India's exports with approximately 13% of total exports. India's textile & apparel exports were US\$ 36.7 billion in 2017-18 compared to US\$ 36.5 billion last year.
- Post implementation of GST, the effective import duties came down

significantly, making imports cheaper for the domestic industry by 15-20%. The change in import duties has adversely affected the entire textile value chain resulting in increase in imports. The imports of textile and apparel reached US\$ 7 billion in 2017-18, indicating an increase of 16% over last year.

Foreign Trade Policy 2018

Foreign Trade Policy Mid-Term Review focused on increasing the incentives for labour intensive MSME sectors.

- Export incentives under Merchandise Exports from India (MEIS) have been increased by 2 percent across the board for labour intensive MSME sectors leading to additional annual incentive of Rs. 4,567 crore.
- This is in addition to the already announced increase in MEIS incentives from 2 percent to 4 percent for Ready-made Garments and Made Ups in the labour intensive with an additional annual incentive of Rs. 2,743 crore.
- Further, the validity period of Duty Credit Scrips has been increased from 18 to 24 months. Focus will be given to Ease of Trading across borders. A professional team to handhold, assist and support exporters in their export related problems, accessing export market and meeting regulatory requirements. The team will also examine the procedures and processes in clearances related to trading across borders for their simplification and rationalization and track progress.

Goods & Service Tax one Year down the Line

Implementation of GST was a great step towards ease of doing business and simplifying the taxation system. Under GST, textile commodities fall under the 0% to 18% tax cloud, with Silk and Jute fiber attracting tax at 0% while MMF fibre being charged at 18%. Apparels & Made-ups are taxed according to their price, with apparel priced below Rs. 1000 is charged at 5% and those which are priced above Rs. 1000 are charged at 12%.

The textiles and clothing industry has been affected post GST which is quite visible from the continuously rising imports of textile and apparel commodities. The increase in imports poses different threats and challenges as pre-GST, import of textile products were attracting BCD plus CVD and SAD. However, post-GST, CVD and SAD were withdrawn and IGST was introduced. However, Post GST the effective import duties have come down steeply, thus, making imports cheaper for the domestic industry by 15-20%. While the Government has increased the import duty on around 400 textile and apparel commodities. This may help in curbing the imports from China, however imports from Bangladesh which has duty free access to Indian market may increase even more. Moreover, there are still various fabric categories in which the import duty is low.

Similarly exports have come down due to lower incentives/drawback, blockage of funds due to slow refunds etc. Despite hike of MEIS in made-ups and garments, it was still insufficient to make up for the drop in drawback and ROSL rates.

Other Policy Interventions

The Government continues to give major thrust for improving the competitiveness of Indian textiles sector.

- Scheme for Capacity Building in Textile Sector (SCBTS) named 'SAMARTH' of Ministry of Textiles with a huge outlay of Rs 1,300 crores along with other parallel skilling programs by the Government will go in a big way to reduce the skill gap of the industry and more specifically provide a value added employment opportunity to rural women.
- Import duty on about 400 textile and apparel items has been enhanced which will provide relief to the Industry which was post GST hit by huge imports due to import barriers reducing significantly.
- An important GST decision which has allowed refund of excess ITC to the processing and fabric industry has reduced the cost of fabric by 3-4% especially MMF fabric.
- Accelerating the refund of GST dues to the industry has eased working capital pressures on the industry.
- CITI being the apex industry chamber of the textile and clothing sector of India has been consistently representing to the Government on major issues concerning Textiles & Apparel Sector. CITI shares our gratitude to the government for taking various initiatives, though there are still a number of glitches which the industry is hopeful to find a solution like reduction of GST on manmade fibers from 18% to 12% & other unresolved textile related issues

Key Issues

- India's spinning segment is fairly organized, but this segment has been facing various challenges. To promote cotton yarn, the Government may extend the MEIS benefits to cotton yarn, which are currently provided to every other segment in the textile value chain including MMF spun yarn.
- Moreover, embedded taxes (central & state taxes and levies) are not refunded by way of drawback and exogenous costs like logistics, infrastructural costs, etc. account for more than 6% for spun yarn.
- Another major issue is increasing trade deficit with China. Until a few years ago, India was the largest exporter of cotton yarn to China. However, in recent years India has lost this position to Vietnam which attracts zero percent import duty in China. Thus, the Government may negotiate for a zero percent import duty in China on Indian cotton yarn.
- The Government may consider increasing the MEIS provided on Fabrics from 2% to 4% to bring it in line with the garments and bring uniformity in the supply chain.
- Another reason for the poor competitiveness of Indian fabrics is due to the unadjusted taxes/levies which account for about 7% of processed fabric cost. To make India globally competitive, the Government should allow ROSCL (both at the state and the Centre level) for fabrics export and enable easier and faster refunds of GST and ROSL Drawback. The embedded taxes levied under the ROSL may also be reimbursed as a drawback.

- The Government of India is requested to take urgent steps to streamline the release of funds under the TUFs scheme. A total of 9,303 cases of non-payment of funds amounting to Rs. 6000 crores are pending which need to be resolved. The agency appointed in January 2017 to conduct the study for the scheme has failed to submit any report. The Ministry of Textile may develop an automated system and advise financial institutions regarding uploading the committed liabilities and final claims online for the ease of applicants. Also, the Ministry can form a commonplace to display the status of the pending cases so that the applicants can easily follow up.
- Another issue is the under performance of the Amended TUFs. Under ATUFs, 5,500 UIDs were issued in the course of last 2 years covering a project cost of around Rs. 21,000 crores and involving around Rs 1,600 crores subsidy. However, the disbursement under the scheme is less than Rs. 3 crore covering only 30 beneficiaries at present. The implementation of the scheme should be streamlined and funds should be released so that mills can upgrade at the earliest.
- The biggest game changer that could transform the industry and put it at par with competitors such as Vietnam and Bangladesh is a free trade agreement with EU, Australia, Canada and Britain for made-ups and garments.
- Hank yarn obligation is an age old problem, there is a move to reduce to from 40% to 20% however it is still some way to go

I am very optimistic that government will intervene in the matter and continue to support the textile industry.

Key Activities of CITI

CITI CDRA

CITI's Cotton Development and research Association (CITI CDRA) is the research wing of CITI cotton development activities in India.

- **Rajasthan:** CITI-CDRA has made strides in cotton development in Rajasthan through its initiatives in the State. It has completed a decade (2008-09 to 2017-18) of its Collaborative cotton development activities in rain dependent major cotton growing districts of Lower Rajasthan. CITI along with State Agriculture Department, Bayer Crop Science and regional Textile Mills Associations conducted a Cotton Collaboration Initiative in rain dependent districts. As a part of initiatives in Rajasthan, CITI-CDRA in collaboration with Bayer Crop Science, has embarked upon the project for promoting ELS cotton in Banswara district for the last two years. Results of the project are very encouraging with a substantial increase in production and yield of cotton.
- **Madhya Pradesh:** CITI CDRA on June 26th, 2018 started work in Madhya Pradesh. It recently inaugurated initiative for cotton collaboration in the state of Madhya Pradesh, starting from the Ratlam district followed by another inaugural event held on 5th July 2018 at Jhabua district (M.P) for training cotton farmers on package of practices while cultivating Extra Long Staple cotton.

- **Maharashtra:** CITI-CDRA has similar Cotton Collaboration Projects being implemented in Maharashtra where the cotton growers were given information regarding sustainable growing of cotton, importance of preventing contamination, better use of fertilizers and modern farming methods like high density planting and drip irrigation.

CITI Birla Award

CITI- Birla Economic and Textile Research Foundation has been conferring an award every year for excellence shown by a mill selected based on applications received from the mill industry. This year the award is for **“Sustainability in Textile Industry”**. A jury chaired by Dr. Arindam Basu, Director of NITRA with the Directors of ATIRA, SITRA and BTRA as the other jury members has selected the winner for this year and the award will be presented here a few minutes later. My congratulations in advance to the winner and thanks to the Jury for selecting the winner.

9th ATEXCON

- CITI had the privilege to conduct its flagship annual event Asian Textile Conference (ATEXCON). Event was organized in March 2018 with theme **“Textile Industry: Moving beyond Conventional Paradigms”**.
- The event attended by more than 350 delegates from India as well as from other nations such as Switzerland, Indonesia, Bangladesh, Sri Lanka, the Netherlands, etc. Event provided a common platform to different stakeholders to discuss innovative ideas emerging trends, technology advancements in Textiles and Apparel.

- I am extremely thankful to all the speakers, delegates, sponsors and media for making this event a grand success.

MOU with MCX

I am happy to inform you that during 9th ATEXCON, CITI signed an MOU with MCX, which has a highly successful and popular cotton contract. By virtue of this MOU, textile industry stakeholders would be imparted knowledge about the benefits of cotton futures mainly focusing on cotton price volatility and need for risk management through cotton futures, among working towards other important common goals.

CITI also organised an **Interactive Session on Innovation & Competitiveness in Textiles & Clothing Industry** on 9th October 2017 in Ludhiana, Punjab. The session discussed about the benefits of stimulating competitiveness in textiles and clothing industry through innovation and technology for increasing the pace of manufacturing resulting in sustainable growth.

Formation of NCTC

CITI organised a Meeting with the Textile Committee heads of AEPC, ASSOCHAM, CITI, CMAI, FICCI, SRTEPC, SIMA and TEXPROCIL and supported by CAI, ICF, ITTA, PDEXCIL, TEA, TMMMA, etc. on 18th April 2018 in New Delhi to discuss about the issues and challenges faced by the industry.

The industry associations and trade bodies unanimously agreed in the meeting to form a consortium of industry associations and trade bodies to highlight major issues and concerns affecting textiles and clothing jointly in a single voice to the policy makers and government officials. Industry associations and trade bodies collectively agreed to form National Committee on Textiles & Clothing (NCTC) with the following objectives:

- To address the common issues faced by the textiles and clothing sector.
- To add value to each other by sharing data, analysis, representations and thoughts.
- To endeavour to create consensus as much as possible on industry related matters and represent on the same thread.
- To stay in constant touch with each other by email group, whatsapp, conference calls and joint meetings and share information on textiles and clothing
- To send representations jointly to Government and policy makers on common issues.

Diamond Jubilee Celebrations

CITI Global Textiles Conclave 2018

- As you are aware, CITI has completed 60 years of its service to the industry and nation in the year 2018. To celebrate this important occasion, CITI is organizing “CITI Global Textiles Conclave 2018” on Tuesday, 27th & Wednesday, 28th November 2018 in Vigyan Bhawan,

New Delhi as part of its Diamond Jubilee Celebrations.

- The theme of the event is **“Disruptions and Innovations for Sustainable Growth”**.
- On this spectacular occasion, we have invited the Hon'ble Prime Minister of India, Shri Narendra Modi ji to inaugurate the CITI Global Textiles Conclave 2018 on 27th November 2018 and the Hon'ble Vice President of India, Shri Venkaiah Naidu ji to deliver the Valedictory Address on 28th November 2018.
- The Hon'ble Union Minister of Textiles, Smt. Smriti Zubin Irani and The Hon'ble Union Minister of Commerce & Industry and Civil Aviation, Shri Suresh Prabhu, have confirmed to grace the occasion with their valuable presence.
- I request the wholehearted support from all of you for the grand success of CITI GTC18.

InnoTex 2018

- CITI has for the first time in the history of Textile & Clothing Industry has launched InnoTex 2018 an innovation contest for the Textile and Clothing Industry of India.
- We have sought applications for innovation in Design, Method, Process, Product and Cost in the areas of Ginning, Spinning, Weaving, Knitting, Processing, Garmenting and Technical Textiles. NITRA is the Knowledge Partner for the Contest. The last date of submission of online application is 30th September 2018.
- To oversee the progress of InnoTex 2018 an Organizing Committee has been formed under the Chairmanship of Shri Prashant Mohota, Chairman, CITI-YEG.

- A Jury comprising industry experts is to be formed which will interview the shortlisted candidates and they will be further asked to make presentations on their topic. The final round of the contest will be held during CITI Global Textiles Conclave 2018.
- I appeal to all members to actively participate in the contest, extend their valuable support and cooperation to make InnoTex 2018 a grand success.

Acknowledgments

- I would like to thank Hon'ble Prime Minister, Hon'ble Union Minister of Finance and all the concerned policy makers and tax administrators including GST Council for the successful implementation of GST and addressing various GST related issues.
- I highly appreciate the strenuous efforts put in by the Hon'ble Union Minister of Textiles, Smt. Smriti Zubin Irani for her continuous support to the textiles and clothing industry in addressing industry's plea and resolving various GST issues. I would also like to thank Hon'ble Minister of State of Textiles, Shri Ajay Tamta and Secretary, Textiles as well as other senior officials in the Ministry of Textiles who have been helpful to the textile industry during the year in tackling its problems and taking up our suggestions and issues with the other concerned Ministries to find solutions.
- I would also like to express my sincere gratitude to Hon'ble Union Minister of Commerce & Industry and Civil Aviation, Shri Suresh Prabhu and Commerce Secretary as well as other senior officials in the Ministry of Commerce for helping us in matters relating to Foreign Trade Policy.

- I would also like to thank Dr. Kavita Gupta, former Textile Commissioner for her kind support to CITI's initiatives.
- I thank and appreciate my predecessor Shri J Thulasidharan for his leadership as CITI Chairman and express my deep gratitude to Past Chairmen of CITI for their unstinted support, guidance and timely advice.
- I take this opportunity to also share my sincere thanks to my colleagues Shri T Rajkumar and Shri D L Sharma for sharing my responsibilities and supporting me in every endeavor.
- I have received unstinted support from the member associations, associate members and corporate members of CITI as well as Chairmen of major Export Promotion Councils such as AEPC, TEXPROCIL, SRTEPC and PDEXCIL and other textile associations. I sincerely thank all of them on behalf of CITI.
- On behalf of CITI and the industry at large, I thank both print and visual media for the support extended by them to us during the year. The proper projection of our issues by them helped us immensely in seeking remedies to some of them.
- Finally, I would like to thank CITI Secretary General, Dr. S. Sunanda and her team of officers and staff for the dedication they have shown in handling their work diligently during the year.



Confederation of Indian Textile Industry



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60TH ANNUAL GENERAL MEETING

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