TEXTILE TIMES

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POLICY INTERVENTIONS FOR INDIAN TEXTILE INDUSTRY

Chairman's Word

At the outset, I, on behalf of the Confederation of Indian Textile Industry (CITI), congratulate the National Democratic Alliance (NDA) for being voted to power convincingly.

I congratulate Hon'ble Prime Minister of India, Shri Narendra Damodardas Modi Ji for coming back to the power with full majority. I also congratulate Hon'ble Union Minister of Finance & Corporate Affairs, Smt. Nirmala Sitharaman; Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal and Hon'ble Union Minister of Textiles and Women & Child Development, Smt Smriti Zubin Irani for being appointed as Cabinet Ministers and convey my best wishes to them.

I am happy to inform you that the current edition of 'Textile Times' is focused on 'Policy Interventions for Indian Textiles Industry', which correctly fits into the present time frame when the NDA Government is starting its next innings.

In context to the overall economic scenario of the country, the last five years was a period of consolidation of policy/structural reforms such as implementation of Goods and Services Tax (GST), banking restructuring, demonetisation which disturbed the domestic demand, and dynamic foreign trade policy in the awake of on-going global trade war, amongst others.

India's T&C industry, the largest employment generating industry with more than 1/10th share in country's exports, has gone through several peaks and valleys during the last five years. The size of India's domestic T&C market has increased from US$ 103.6 billion in 2014 to US$ 123.74 billion in 2018 (estimated), (Source: National Household Survey 2017, Market for Textiles & Clothing, Textile Committee). Whereas, 'India's T&C exports have declined from US$ 38.60 billion in 2014 to US$ 37.12 billion in 2018 while their imports have increased from US$ 5.85 billion to US$ 7.31 during the same period', ITC TradeMap. Further, India, which was the world's second largest exporter of T&C during 2014-17 after China, fell to 5th place in 2018 as Germany, Bangladesh and Vietnam stepped in, ITC TradeMap.

Despite a dismal picture on foreign trade front, India's T&C industry is on its way for a start of the golden era where it will realise its true potential and lead to inclusive growth of the country with considerable employment opportunities, especially for our rural women workforce along with technically qualified skilled manpower.

However, to achieve the expected contribution of T&C industry in Indian economy, there is an urgent need to address the sector specific issues of the entire textiles value chain with appropriate policy (fiscal, monetary, industrial, and trade) measures.

Cotton textiles sector needs launch of the TMC-II (Technology Mission on Cotton) at the earliest, direct subsidies to cotton farmer for offsetting the adverse impact of high increase in MSP (minimum Support Price) of cotton on the spinning sector, and implementation of National Fibre Policy among the others.

To make Indian T&C industry a US$ 350 billion in size by 2025, there is a greater role for manmade fibre (MMF) sector to play on lines with other T&C major players such as China. MMF Downstream Industry must get their raw materials at internationally competitive prices and inverted GST duty structure on MMF Sector to needs to be corrected with a uniform rate of 12% for the entire MMF sector.

Further, there is a paramount need to simplify TUFS (Technology Upgradation Fund Scheme) guidelines and clear all the pending subsidies in a time bound manner for the modernisation of the textiles industry. To safeguard the large work force in unorganised textiles industry, Employee State Insurance (ESI) benefits should be extended to the entire T&C industry.

On the taxation side, issues in refund of GST should be resolved on a priority basis as well as a Special Officer should be assigned for the redressal of complaints of several small GST irritants.

To increase T&C exports, there is an urgent to negotiate FTAs (Free Trade Agreements) with developed and large markets such as EU, Australia, USA, etc. RoSCTL (Scheme for Rebate of State and Central Taxes and Levies) should be extended to the entire textiles value chain. Additionally, Indian exporters require WTO (World Trade Organization) compliant export incentives to have a level playing field with their counterpart countries.

In continuation of its services to the Indian T&C industry, CITI has recently made a representation in the Union Ministry of Finance on Pre-Budget Memorandum where we have vociferously put industry issues and demand regarding direct and indirect taxes including customs duties. We are also pursuing issues related to TUFS with the Union Textiles Ministry, and hope for some remedial measures in the near time with the new government on board.

CITI will submit its detailed White Paper on T&C industry, on general as well as sector specific suggestions to realise the true potential of India's T&C industry, to the New Union Textile Minister. We are sure that the government will provide the much needed policy support to the industry to realise its true potential.

Sanjay K. Jain

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I, on behalf of CITI and the entire textile fraternity, whole heartedly congratulate the Hon'ble Prime Minister of India, Shri Narendra Modi Ji and his Council of Ministers for coming back to power registering a historic win in the 2019 Lok Sabha election and convey my best wishes for achieving the mammoth mandate. I also convey my sincere congratulations and best wishes to Hon'ble Union Minister of Finance & Corporate Affairs, Smt. Nirmala Sitharaman; Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal and Hon'ble Union Minister of Textiles and Women & Child Development, Smt Smriti Zubin Irani for their new innings in Modi 2.0 Government.

With the formation of a new government, India is optimistic in becoming a US$ 5 trillion economy by 2025 as set by the Government of India. In this ambitious target, the role of textile and clothing (T&C) industry is highly significant due to its major contribution to India's industrial output, employment, and export earnings. The current share of T&C industry in India's total merchandise exports is about 11% and it provides direct employment to over 45 million people.

However, presently, different segments of the entire T&C value chain are facing variety of challenges, and it is losing its competitiveness in the international market. Indian T&C industry, which was the world's second largest exporter of T&C during 2014-17 after China, fell to 5th place in 2018.

The ongoing trade war between the world's two largest economies, USA and China is a moment of opportunities for India to grab a larger share of the global textile supply chain. The recent hike in additional tariff to 25% by USA on its US$ 200 billion imports from China, is an opportunity for Indian Textile industry to increase its exports to USA by almost US$ 4 billion.

Further, Indian textiles Industry can play an important role in enhancing total merchandise trade among the RCEP (Regional Comprehensive Economic Partnership) member countries. However, for achieving this, the industry needs appropriate policy measures, which will also make it globally competitive.

In order to realise the true potential of India's T&C industry and achieve its expected contribution to the Indian economy, the industry needs a mix of appropriate fiscal, monetary, industrial, and trade policies.

The theme of the current edition of the 'Textile Times' is **'Policy Interventions for Indian Textiles Industry'**, which is absolutely relevant in the current scenario. The Indian T&C industry is expecting a stimulus package and policy support to give the much-needed boost to the industry.

CITI in its White Paper on making Indian T&C Industry an US$ 350 billion industry by 2025, has suggested the 10 most important policy measures for immediate action. These measures are (1) simplify TUFS guidelines and clear all the pending TUF subsidies in a time bound manner; (2) extend RoSCTL benefit for the entire textile value chain; (3) TMC-II (Technology Mission on Cotton) may be launched at the earliest; (4) direct subsidy to cotton farmers should be introduced; (5) announce National Fibre Policy; (6) mission mode approach for promoting MMF sector; (7) reduce Hank Yarn Obligation (HYO) from 30% to 15%; (8) provide Employee State Insurance (ESI) benefits for the entire T&C Industry; (9) urgent need to negotiate FTAs with developed markets like EU, Australia, Britain, USA, etc. and (10) resolve Goods and Services Tax (GST) issues of refund on domestic sales and correcting inverted duty structure in manmade fibre textiles sector.

The other articles included in this edition covers domestic as well as international T&C issues and have suggested policy reforms to help Indian T&C industry in realizing its true potential. It has been pointed out that the subsidy regime for Indian exporters would need to be significantly larger for combating the relative disadvantage they face in global markets. In addition, the current SEZ schemes (challenged by the US at WTO) should be converted to investment zones, with Advance Authorization being used to allow duty-free imported inputs.

Further, Indian T&C industry requires an integrated approach in terms of fiscal policy measures, environmentally sustainable production, academic and institutional support for textiles research, improvement in productivity levels of the industry, and creation of modern infrastructure, among the others. Additionally, substantial steps should be taken to bring the required approximately US$ 45 billion investment by 2025.

Thus, with appropriate policy reforms, T&C industry can help Government of India to achieve its highly ambitious 'Make in India' program and make India the manufacturing and sourcing hub for textiles and clothing products.

At this crucial juncture, I expect that the Newly Formed Government will address the issues of the entire textiles value chain and support the largest employment generating industry to achieve its true potential.

Dr S Sunanda
Secretary General - CITI

POLICY INTERVENTIONS TO REALISE TRUE POTENTIAL OF INDIAN TEXTILE INDUSTRY

Mr. Sanjay K. Jain
Chairman, CITI

1. INTRODUCTION

The textile and clothing (T&C) industry plays an important role in Indian economy as it contributes to around 11% of the total exports earnings and is the second largest employer after agriculture providing direct employment to over 45 million people and indirect employment to an additional 60 million people. Indian T&C Industry is one of the largest in the world with a large raw material base and manufacturing strength across the value chain. Indian textile and apparel market is currently estimated at around US$ 160 billion in size. The domestic consumption of textiles and apparel constitutes more than 75% (approximately) of the total market size while rest is constituted by the exports.

With regard to the overall economic scenario in India, the last five years was a period of consolidation of policy/structural reforms such as implementation of Goods and Services Tax (GST), banking restructuring, demonetisation which disturbed the domestic demand, and dynamic foreign trade policy in the awake of on-going global trade war, amongst others.

India's T&C industry has witnessed many ups-downs during the past five years. 'India's T&C exports have declined from US$ 38.60 billion in 2014 to US$ 37.12 billion in 2018 while their imports have increased from US$ 5.85 billion to US$ 7.31 during the same period', ITC TradeMap. Further, India, which was the world's second largest exporter of T&C during 2014-17 after China, fell to 5th place in 2018 as Germany, Bangladesh and Vietnam stepped in, ITC TradeMap.

Further, India's exports of all the categories of T&C, except a few such as Fibre, Filament Yarn and Others have declined during the period 2014-15 to 2018-19 as shown in Table below. Further the exports of Spun Yarn, Fabric, Apparel and Home Textiles have

India's Category- Wise T&C Exports (US$ billion)

Years	Fibre	Filament Yarn	Spun Yarn	Fabric	Apparel	Home Textiles	Others	Total
2014-15	2.7	1.2	4.8	5.3	16.8	5.3	1.5	37.7
2015-16	2.7	1.0	4.4	4.8	17.0	5.1	1.8	36.7
2016-17	2.5	1.1	4.1	4.5	17.4	5.1	1.7	36.5
2017-18	2.8	1.2	4.3	4.6	16.7	5.2	1.9	36.7
2018-19	3.0	1.3	4.7	4.7	16.1	5.4	2.0	37.2
CAGR (%)	**2.67**	**2.02**	-0.52	-2.96	-1.06	-0.47	**7.46**	-0.33

Note : Data for March 2019 is extrapolated using data for April 2018 to Feb 2019

Source: DGCIS

registered a negative growth (CAGR) during the same period. Though, the CAGR of Fibre, Filament Yarn and Others has increased, it has not contributed significantly to the overall export growth of T&C products. Moreover, the overall exports of T&C products have also declined by 0.33% CAGR during the same period.

India despite being one of the largest producers of raw materials i.e. Cotton Fibre and Man-made Fibres, the cost in India is much higher due to structural issues like MSP, Anti-dumping, etc., which has made the industry uncompetitive globally leading to stagnant exports and increasing imports of value added products.

To make Indian T&C industry a US$ 350 billion in size by 2025, a mix of appropriate fiscal, monetary, industrial, and trade policies is the need of the hour at the time when Indian economy enters a very important phase with the New Government taking charge after the 2019 marathon elections. To realise the true potential of India's T&C industry, there is a need to work on resolving segment wise issues in the entire textile value chain through appropriate policy measures.

2. SUGGESTED POLICY MEASURES

10 most important points for immediate action for Indian T&C Industry

1. Simplify TUFS guidelines and clear all the pending subsidies in a time bound manner (backlog around Rs.9,000 crores under various TUF Schemes). Time bound subsidy clearances have to be ensured as owing to variety of reasons thousands of crores of Technology Upgradation Fund Scheme (TUFS) subsidy are pending for a long time which has made many units go sick.

2. Extend RoSCTL benefit for the entire textile value chain: The export industry should not be forced to bear the cost of cross subsidies which are in built in power, financing and other costs, and making Indian exports further uncompetitive in global markets which is visible in the stagnated export figures.

3. TMC-II (Technology Mission on Cotton) may be launched at the earliest. Need to focus on improving cotton productivity and address other issues on cotton sector to make Indian cotton internationally competitive.

4. Direct subsidy to cotton farmers should be introduced when cotton prices fall below the Minimum Support Price (MSP) to ensure the value-added downstream industry gets raw material at market determined prices – in an international competitive environment as the industry cannot bear the social subsidy burden.

5. Announce National Fibre Policy to ensure win-win strategy for all the stakeholders and ensure adequate availability of quality raw material at an international price throughout the year to achieve the potential growth rate of the textiles and clothing industry.

6. Mission mode approach for promoting MMF sector, as without its growth, the textile industry can never achieve the US$ 150 billion export target by 2024-25. MMF Downstream Industry must get their raw materials at Internationally competitive prices to enable increase its share in the Export and also Domestic Markets. Inverted GST duty structure on MMF Sector to be corrected, as huge blockage of funds is happening and refunds are very difficult as well as time consuming due to non-allowance of service GST adjustment against output liability. Need to have a uniform rate of 12 % for MMF sector.

7. Reduce Hank Yarn Obligation (HYO) from 30 % to 15 % (as already recommended by the office of the Textile Commissioner) and also reduce the number of items from 11 to 3 prescribing the fabric construction details under Handloom Reservation Act to enable Ease of Doing Business.

8. Employee State Insurance (ESI) benefits for the entire T&C Industry: The textile industry is still more than 60% unorganised, hence a majority of people are not able to get Employee State Insurance (ESI) benefits. We propose that an ESI type facility on contribution basis should be made available to the workforce in unorganised sector like those employed in the organised sector.

9. Urgent need to negotiate FTAs with developed and large markets like EU, Australia, Canada, Britain etc. to ensure that a level playing field is provided against competitors like Bangladesh, Vietnam, Cambodia, Pakistan, Sri Lanka etc. Focused approach should be made to sign Free Trade Agreements (FTAs) or Preferential Trade Agreements (PTAs) with large global markets to provide a level playing field to the industry. Expedite conclusion of FTAs with various countries that are already under progress.

10. Address GST Issues on T&C, so that refunds can come to the industry and enhance liquidity. Further there are many small GST irritants which need important redressal for which a Special Officer should be assigned to look into all such issues.

2.1 GENERAL SUGGESTIONS

- The textile industry should be classified as a MNREGA (The Mahatma Gandhi National Rural Employment Guarantee Act 2005) employer – textile industry can assure 200 days of employment to people. This will apart from serving the purpose of MNREGA, also resolve the big problem of absenteeism being faced by the industry.
- Textiles industry, especially the apparel sector should be given priority in the National Skill Development Mission as it will help in not only improving productivity levels of the sector but also contribute to increase productive employment from 85 lakhs to 1 crore persons by 2020.
- The textile industry is still more than 60% unorganised, hence a majority of people are not able to get Employee State Insurance (ESI) benefits. We propose that an ESI type facility on contribution basis should be made available to the workforce in unorganised sector like those employed in the organised sector.
- An advisory body of individuals of repute and experience be created (should not be affiliated to any Textile Body/Association) to provide the Government with unbiased and objective opinion, and industry specific expertise for more workable policies.
- Focused approach should be made to sign Free Trade Agreements (FTAs) or Preferential Trade Agreements (PTAs) with large global markets to provide a level playing field to the industry. Expedite conclusion of FTAs with various countries that are already under progress.
- Bangladesh FTA has led to huge increase of imports in garments and has become a gateway for Chinese fabrics to enter the country duty free by getting routed via Bangladesh.
- Simplify TUFS guidelines and clear all the pending subsidies in a time bound manner (backlog around Rs.9,000 crores under various TUF Schemes). Time bound subsidy clearances have to be ensured as owing to variety of reasons thousand of crores of Technology Upgradation Fund Scheme (TUFS) subsidy are pending for a long time which has made many units go sick.
- Liquidity in the domestic market has to be immediately enhanced, as the acute tightness has curtailed demand and forced a hand to mouth inventory policy by the industry.
- The export industry should not be forced to bear the cost of cross subsidies which are in built in power, financing and other costs, and making Indian exports further uncompetitive in global markets which is visible in the stagnated export figures.
- GST Issues of refund on domestic sales be addressed immediately, so refunds can come to the industry and enhance liquidity. Further there are many small GST irritants which need important redressal for which a Special Officer should be assigned to look into all such issues.
- Special committee comprising of Centre and all State Governments to be formed to ensure that there is no divergence between the States and Central growth agenda.

2.2 SECTOR SPECIFIC SUGGESTIONS

Cotton Fibre

- Focus on improving productivity - TMC-II (Technology Mission on Cotton) may be launched at the earliest.

- Role of Cotton Corporation of India (CCI) to be more sharply defined & Industry participation should be there at the Board Level.
- Satellite imaging and similar technology enabled practices should be followed for estimating the crop size of India.
- Direct subsidy to cotton farmers should be introduced when prices fall below the Minimum Support Price (MSP) to ensure the value-added downstream industry gets raw material at market determined prices – in an international competitive environment as the industry cannot bear the social subsidy burden.
- Extend RoSCTL benefit for Cotton textile value chain.
- Announce Cotton Price Stabilization Fund Scheme with 5% interest subvention for the cotton procured and stored during peak season, enhance the credit limit from three months to nine months and reduce the margin money from 25% to 10% (Price Stabilization Scheme announced by the Government recently while revising the MSP during the last year)

MMF (Man-Made fibre) Sector

- Announce National Fibre Policy to ensure win-win strategy for all the stakeholders and ensure adequate availability of quality raw material at an international price throughout the year to achieve the potential growth rate of the textiles and clothing industry.
- Remove all anti-dumping duties on basic MMF textile raw materials including synthetic fibres and filaments
- Any enhancement to the existing BCD on the MMF upstream segments of the value chain should not be considered.
- Downstream Industry must get their raw materials at Internationally competitive prices to enable increase its share in the Export and also Domestic Markets.
- Inverted GST duty structure to be corrected, as huge blockage of funds is happening and refunds are very difficult as well as time consuming due to non-allowance of service GST adjustment against output liability. Need to have a uniform rate of 12 % for MMF sector.
- Extend RoSCTL benefit for MMF textile value chain.
- Increase import duty on MMF based spun yarn and some of the MMF fabrics on which duty is still 10 % to 20%, as huge surge of imports have been seen in this category post GST which is impacting spun yarn and fabric manufacturers in a big way. Post GST, landed price of imported yarn is lower compared to pre GST scenario due to the abolition of CVD.
- There is a need for mission mode approach for promoting MMF sector, as without its growth, the textile industry can never achieve the US$ 150 billion export target by 2024-25.

Cotton Yarn

- Cotton Yarn, the jewel in crown of the T&C Industry, has been completely ignored since 2014 – need to ensure that this segment is treated equally as other segments for better farmer income, exports and building yarn base for value added segments.
- Inclusion of cotton yarn under the current Rebate of State and Central Taxes and Levies (RoSCTL) scheme that currently covers garments and made ups only.
- Extension of 3% IES (Interest Equalization Scheme) to provide a level playing field with its foreign counterparts.
- Reduce Hank Yarn Obligation (HYO) from 30 % to 15 % (as already recommended by the office of the Textile Commissioner) and also reduce the number of items from 11 to 3 prescribing the fabric construction details under Handloom Reservation Act to enable Ease of Doing Business.
- Need to negotiate with China to reduce import duty to 0%, equivalent to Vietnam.
- Exempt textile industry from cross subsidy surcharge and facilitate to take advantage of open access power. Fix Power tariffs on the basis of load factor (cost to serve formula).
- Need to extend financial help for modernisation of existing spinning capacity.
- No State Government/Central Government should introduce any incentives for setting up of new spinning mill for the next 3 years, as that drives existing ones into Bankruptcy/NPAs as already there is excess capacity. This has been done by the Govt. of Gujarat and other States may kindly consider to follow the same, except allowing for modernisation of existing capacities.
- On urgent basis, need to negotiate with China Government for a level playing field by reducing import duty on Indian cotton yarn and bring it at par with Vietnam, Pakistan and Indonesia yarn.

Fabrics

- Treat fabric at par with Made-ups for all Policies.
- Include fabrics under RoSCTL like garments and made-ups.
- Remove the inverted GST duty structure on MMF Fabrics.
- Negotiate 0% import duty with China, equivalent to Vietnam, Pakistan and Indonesia.
- Garments & Made-ups
- WTO compliant export incentives are needed to replace MEIS to ensure exports stay competitive.
- Urgent need to negotiate FTAs with developed and large markets like EU, Australia, Canada, Britain etc. to ensure that a level playing field is provided against competitors like Bangladesh, Vietnam, Cambodia, Pakistan, Sri Lanka etc.
- Infrastructure to be strengthened in garment clusters to help unorganised and fragmented units to grow.
- Government may provide special package for decentralized nature of labour – like ESI.

Technical Textiles

To make the Indian technical textiles Industry globally competitive:

- Government needs to establish regulatory norms for mandatory usage of technical textile items in specific industries to increase consumption where benefits are established.
- Attract foreign direct investment in order to get the requisite technical know-how and expertise.- export incentives to investing companies that establish manufacture of speciality Fibre as the external market will sustain viability of investment till domestic demand doesn't pick up.
- Provide capital subsidy for establishing special Fibre manufacturing.
- Waiver customs duties for import of capital equipments.
- HSN CODE of Technical Textiles- 207 codes of TT items doesn't cover all products, remaining items also to be included.
- Many high performance fibres are not produced in India and are imported with high import duty. Duty has to be removed or rate to be reduced to minimum level to make Technical Textiles products cost competitive.

Smt. Smriti Zubin Irani takes oath as Cabinet Minister in NDA Govt. 2019

3. CONCLUSION

- As the Indian economy enters a very important phase with the New Government taking charge after the 2019 marathon general Lok Sabha elections, all the stakeholders will be looking at the New Government for a series of economic reforms and support meaures to establish Indian T&C industry at the position that it deserves.
- India's T&C industry has immense potential to contribute to the country's GDP, exports, and employment but its current status is far below than its true potential. It is time to support India's largest employment creating industry with appropriate fiscal, monetary, industrial, and trade policies to enhance its competitiveness and helping the oldest sector in achieving its 2025 targets.
- CITI will submit its White Paper on 'Policy Support Needed to Make Indian Textile & Clothing Industry a US$ 350 billion Industry by 2025' to the new Union Textile Minister and request the Government to provide the much needed policy support to the T&C Industry to not only achieve the revolutionary initiative of 'Make In India' of the Hon'ble Prime Minister Shri Narendra Modi Ji but also to achieve 2025 target set for the industry. This will definitely help in bringing out inclusive growth in the economy, create employment opportunities for millions of people at the grass root levels, especially women and help them skilled to reap the benefits of Textile Industry 4.0.

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RELEASE OF RS.9,000 CRORES TUF SUBSIDY

A PRE-REQUISITE FOR REJUVENATING TEXTILE INDUSTRY GROWTH RATE

Mr. T. Rajkumar
Deputy Chairman, CITI

The textile industry is the single largest employment provider in the country next only to agriculture by employing over 110 million people especially the rural women and people below the poverty line and enables inclusive growth of the Nation.

Implementation of TUF Scheme

During nineties, the textile industry was plagued with outdated technology and high interest rates (15% to 18%) and thin profit margin hampering the technology upgradation in the textile industry. For growth of any industry, besides investments, technology plays a vital role to take it forward to the next level. Taking this into consideration, CITI (then ICMF) and SIMA submitted a proposal to the then NDA Government during 1999 seeking need for Technology Upgradation Fund Scheme (TUFS) by extending 5% interest subsidy. The Scheme was initially announced with the targeted investment of Rs.25,000 crores earmarking around Rs.900 crores towards subsidy (unutilized and accumulated Textile Committee Cess lying in the account). Later, the Government made the Scheme open ended without any cap. Since the textile industry had been facing unprecedented recession during 1999 to 2003, the response for the TUF Scheme was poor.

PROTECT AGAINST VOLATILE COTTON PRICES

In 1875 India's first organized futures exchange was set-up.

–

It traded in cotton!

In the 1860s, with the outbreak of the American Civil War, US cotton supplies to Britain's textile industry were replaced by cotton supplies from India, largely through the Mumbai port (formerly Bombay). With brisk cotton business and rising trade, the Bombay Cotton Association Ltd. was set up in 1875 to manage cotton price risks. Significantly, this took place barely a decade after the world's first modern futures trading platform was established at the Chicago Board of Trade.

Amidst an inherent volatility in cotton prices and robust domestic and export demand, MCX provides a cotton futures trading platform for stakeholders to manage their price risks. MCX cotton contract specification is well-tuned to the physical market best practices in terms of staple length, micronaire, tensile strength, etc. Given the highly volatile cotton prices, it is imperative for stakeholders to hedge price risks using exchange-traded futures contracts.

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- Cotton is compulsorily deliverable.
- Cotton - MCX Market Share 100%*.
- Delivery (2018-19 season) - 1,61,000 bales.
- Delivery centres at Rajkot, Kadi, Mundra, Yavatmal, Jalna, Adilabad and Warangal.

*Oct. 2017 to Sept. 2018

GOLD | SILVER | CARDAMOM | BLACK PEPPER | CRUDE OIL | NATURAL GAS | COPPER | ALUMINIUM | LEAD | ZINC | BRASS NICKEL | COTTON | CPO | MENTHA OIL | CASTOR SEED | RBD PALMOLEIN | RUBBER

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MCX INVESTOR PROTECTION FUND

Year-wise progress of TUFS (Position as on 30.11.2018)

Sr. No.	Year	No. of cases	Project cost	Term loan sanctioned amount	Subsidy Released (by MoT)
1	1999-2000	309	5074	2421	**1**
2	2000-2001	616	4380	2090	**70**
3	2001-2002	444	1320	630	**200**
4	2002-2003	456	1438	839	**202.59**
5	2003-2004	884	3289	1341	**249.06**
6	2004-2005	986	7349	2990	**283.61**
7	2005-2006	1078	15032	6776	**485**
8	2006-2007	12589	66233	29073	**823.92**
9	2007-2008	2260	19917	8058	**1143.37**
1	2008-2009	6072	55707	24007	**2632**
1	2009-2010	2352	27611	6612	**2885.98**
1	2010-2011 *	256	39	254	**2784.18**
1	2011-2012	1794	24364	13619	**2937.82**
1	2012-2013	2163	13154	8276	**2151.58**
1	2013-2014**	585	6387	4328	**1730.00**
1	2014-2015	4005	17021	10769	**1884.31**
1	2015-2016	...	...	....	**1393.19**
1	2016-2017	8797	37831.25	22519.74	**2621.98**
1	2017-2018	2248	10169.03	6208.71	**1906.10**
2	2018-2019	1785	6833.04	4594.88	**443.10**
Total		49679	313506.3	155406.29	26828.79

** The scheme was under suspension from 29.06.2010 to 28.04.2011*
***The RRTUFS scheme was started w.e.f. 04.10.2013*

When the industry was revived from the recession, it started making huge investments in technology upgradation and green field projects and the investment was doubling year after year from 2003 to 2007 (termed as golden era for the industry).

Realizing the impact of TUF Scheme, the NDA Government again extended the Scheme for the period up to 31st March 2022 by allocating Rs.17,822 crores earmarking Rs.12,671 crores for committed liabilities of Modified TUF Scheme, Restructured TUF Scheme and Revised Restructured TUF Scheme and also Rs.5,151 crores for Amended TUF Scheme, which is currently in vogue. The flagship programme of the Ministry of Textiles attracted around Rs.4 lakhs crores of investments (TUFS and Non-TUFS) in the textile industry during the last two decades and created jobs to over 10 million people. It has enabled the Indian textile industry to become globally competitive and increased its exports by manifolds.

Role of State Governments for technology upgradation

Developing economic growth and creating job opportunities is the main agenda for any Government. Many State Governments in the country realized the potential of job creation in textile industry and are trying to compete with each other by announcing textile policies which are unique in nature. The salient feature of the policies is that besides the benefits extended by the Central Scheme, the State Governments also offer interest subsidy, capital subsidy and other incentives. Mushroom growth of textile industry in Gujarat, Maharashtra, Punjab, Madhya Pradesh, Andhra Pradesh, Telangana and Karnataka is a pointer for the textile policies.

Pitfalls in the TUF Scheme guidelines

Successful implementation of any Scheme depends on how it is taken forward and implemented. One of the reasons for successful implementation of the Scheme was the industry friendly guidelines inbuilt in the Scheme which lasted till 2007. However, when the Modified TUF Scheme was introduced, Ministry of Textiles made the committed liabilities a mandatory one and insisted the financial institutions provide projected investments and subsidies for the entire loan repayment period. This has created problem as the actual investments varied depending upon the industry condition especially when the industry faced series of challenges including global recession, high cotton price volatility, suspension of yarn exports, sudden withdrawal of various export benefits, etc. In addition, the banks also committed mistakes while providing committed liabilities and also making actual claims. As a result, around 9300 cases got accumulated over a period resulting in a backlog of around Rs.6,000 crores towards TUF subsidies.

Failure of NABCONS study

Though the industry strongly recommended at the 1st Inter Ministerial Steering Committee (IMSC) meeting held on 5th October 2016 to clear the subsidy based on the recommendations made by a Committee constituted by the IMSC, the Ministry of Textiles decided to engage a third party agency for reconciling claims. After a long period, NABCONS was entrusted with the assignment during January 2017 fixing a time line of two months. It is unfortunate that even after a period of two years, the NABCONS could not submit the report and therefore, at the 3rd IMSC meeting held on 27th February 2019, it was unanimously decided that Secretary, Ministry of Textiles would take appropriate decision in consultation with the revenue department.

TUF guidelines

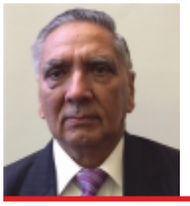
As the investment is huge and it covers several thousands of projects, CAG used to find some discrepancies while auditing the accounts and making remarks periodically and the Ministry of Textiles has been addressing the issues successfully for more than 15 years. While framing the guidelines for A-TUFS, the Ministry made the guidelines so stringent (though the objective of A-TUFS is to enable Ease of Doing Business). Out of 8,500 cases, not even 100 cases have received the benefit during the last three years.

A-TUFS GR dated 12th January 2016, appeared to be industry-friendly. However, amendments in the guidelines brought through various circulars complicated the Scheme. After repeated representations, a special task force was formed under the Chair of Additional Secretary, Ministry of Textiles that recommended simplification of procedures, but A-TUF GR (revised resolution) dated 2nd August 2018 further complicated the procedures and the issues are yet to be resolved.

The 3rd IMSC at its meeting held on 27.2.2019 has taken a decision to introduce joint inspection system even for the old schemes (around 8300 cases) and decided to suspend release of any more fund till the JIC completes inspection and makes recommendation. Despite allocating Rs.17,822 crores as approved by the Cabinet Committee for the period upto 31st March 2022, not even claims worth Rs.3,000 crores have been disbursed and the Ministry has been returning the allotted funds as they could not utilize the same. Majority of the State policies are linked to the TUF Scheme and therefore, the release of State and Central subsidies got stalled affecting the investments, job creation and exports very seriously. The special garment export scheme of Rs.6,006 crores that extended enhanced export benefits, 10% additional TUF subsidy and various other benefits, enhanced duty drawback rates, RoSTCL could not yield the desired results as the industry as a whole started facing serious financial stress.

Against this background, CITI urges the new Government to address the TUF issues on a priority basis and release the TUF subsidy for all the beneficiaries, who made investments, created jobs and contributed for the growth of the economy and export earnings in a time bound manner. It is essential to make the guidelines of A-TUFS industry-friendly. It is also essential to remove the cap on subsidy to encourage scale of operation and investments in the highly capital intensive technology.

INDIA: IMPERATIVE OF FABRIC INDUSTRY GROWTH



Mr. D. L. Sharma
Vice Chairman, CITI

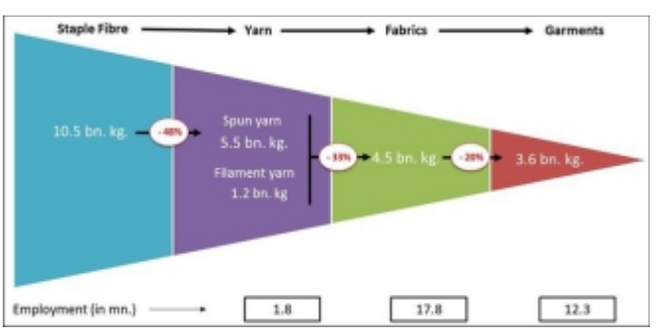
Global forces driving world fabric trade

The world trade in textiles and apparels has unique feature of largest number of countries competing for global market. Being labour intensive and capital intensive simultaneously, the textile value chain is spread across the countries. The apparel manufacturing part, being former in nature is concentrated mainly in low labour cost countries like Bangladesh etc, the high technology oriented while later one , the large scale production base part of value chain has not relocated much in the past. Another feature of the textile industry including fabric sector is high importance of cost competitiveness emanating out of technology, scale, productivity and quality. The latest catalyst of change in the world textile and apparel trade are textile value chain integration, reduced delivery cycle, full package solutions and supporting infrastructure and government policies.

It is noteworthy that fabric manufacturing is one such activity, where manufacturing location for global supply is not much changed but the target markets, which are mainly apparels manufacturing centers have been relocation across continents in Asia and Africa of lately. This leads to change in direction of fabric trade in world market though export origin is not much changed. A perusal of China's fabric exports reveals that fabric products constitute 51% (USD 51 bn) of world total fabric exports (USD 102 bn) in 2017. During relocation of textile and apparel industry from western countries, Japan and Korea to China, Bangladesh, Vietnam and other countries, India could not organize enough efforts to create conducive environment to help fabric sector to grow and become competitive to garner significant share of world fabric trade in the past. Though, China's cost competitiveness likely to come down due to rising wage level in sync with growing per capita income (USD 10153 in 2019), it has created scales and supporting infrastructure to retain large part of its share in world trade in fabric as no other countries have setup large scales and modern technology based production capacities to cater world fabric exports market. Similarly, Bangladesh has set up large knitting industry but woven fabric production is still narrowly located. This global scenario paints a picture of promising future for India's fabric manufacturing sector though not unconditionally.

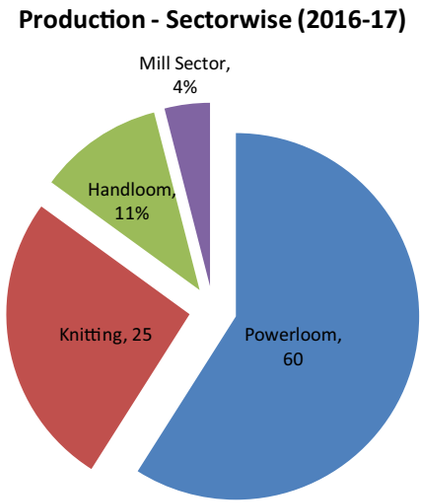
India: Fabric sector outlook

Among the different textile sub-sectors namely fiber, spun yarn, fabric and garment manufacturing, fabric sector is the largest employment provider. Fabric sector employs about 17.8 mn people against 12.3 mn people in garment manufacturing sector and 1.8 mn people in yarn manufacturing sector.

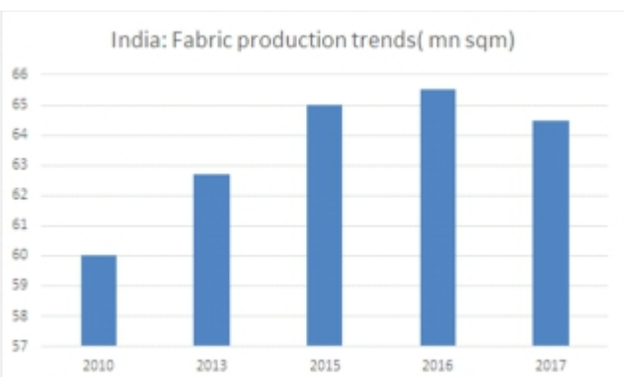


Source: Ministry of textiles, Government of India

Based on the study of Technopak, it is estimated that India fabric industry is estimated to be worth USD 95 bn in 2018, of which only USD 5 bn (5%) is exported and rest about 95% is consumed in domestic industry. Increasing the fabric processing capacity in India can improve India's position in global fabric market and lead to employment generation. Powerloom sector, with a share of about 60% is the largest fabric producer sector with mill sector share is miniscule with 4% share. Knitting also account for about 25% share and handloom sector has about 10-11% share.



Further, the fabric production in the country has increased from 60 mn sqm in 2010 to 65-66 mn sqm in 2016 and thereafter not much growth has seen in fabric production in India, which need introspection.



Source: Based on textile commissioner data

With 4% share in world fabric exports, India is far behind than China and can look forward to higher share of about 10-15% in world trade in fabric in near future.Based on opportunities in world textile products like textile yarns, fabrics, made ups and others textile items, India can look forward to textile exports of USD 50 bn by2025. This would entail policy support to address the issues of cost incompetitiveness of Indian textile exports. The above mentioned cost in-competitiveness can be categorize in two major categories:

a. Endogenous factors

These factors are related to productivity, quality, knowhow and operational efficiency and exist at firm level. In our view, India is capable to meet global standards in this regard as in case of spinning sector, where India has demonstrated its ability to produce quality products for global markets.

b. Exogenous factors

These are the factors on which a firm has no control. India textile and apparel industry suffers mainly due to these factors, which inter-alia include proper infrastructure, higher transaction cost, multiple direct/indirect taxes/levies/fees etc, management time involved in unproductive activities in getting approvals, consents, higher cost of power due to high electricity duty and cross subsidy , arbitrary decision making process for fixing cost like minimum wages by state government without having regard to its adverse impact upon competitiveness of wage good industry and rigidity in labour laws etc.

One example of exogenous factors, which has inhibited India's fabric export is discussed in the form of a small case study, which shows that India even suffers in Bangladesh, which is nearest fabric market for India and is also connected by land.

Improving land connectivity with export market: Bangladesh a case study

Bangladesh is one of the largest apparel exporters in the world with about USD33 bn apparel exports, which are projected to grow to USD50 bn in about next couple of years. To feed the apparel manufacturing, Bangladesh is highly dependent upon import of fabric estimated at about USD 6 bn. Presently, China is the largest supplier with about 65% share in Bangladesh fabric imports followed by about 11% India's share. This is despite of India's proximity to Bangladesh and can be attributed to many factors among which delivery time is chief constrain besides cost factor. The fabric delivery time become critical due to the fact that garment is highly fashion driven products and seasonal in nature. Due to short delivery time given by global retail chains, the garment exporters have to ship finished garment well in time. This translate into squeezing delivery time for fabric supplier. The country, which is able to give the delivery well in time, take away the order.

India has a land connection with Bangladesh and can use this strategic advantage to take China's share away in Bangladesh fabric import significantly by delivering

fabric in time. However, due to long delay in cargo movement/clearance in (Petrapole land port) West Bengal, India is not able to reap the benefit of strategic advantage.

Some of the concerns as opined by industry are highlighted below:

1. Petrapole is a congested port and the truck is required to report at Bongaon Municipal Parking at Kalitala adding to the delay of export consignments.

2. CBEC issued a circular No. 18 (2002) - Customs dated 13.3.2002 laying down the priority and procedure for faster movement of export cargo from hinterland ICD/CFS to Bangladesh directly to save the hassles at the LCSs, thus reducing congestion and transaction costs. However, the containers dispatched from ICD/CFS were parked at kalitala parking and containers were kept in queue which ultimately affected/delayed export at petrapole.

To overcome this issue and facilitate smooth export movement to Bangladesh, the following suggestion need consideration of policy makers:

a) The textile cargo, especially Fabric need to be accorded priority due to its sensitivity with respect to tight shipment schedule. Concerned authorities need to ensure that export sealed containers from ICD/CFS is not to be detained at Bongaon Municipal Parking at Kalitala and such sealed containers should be allowed to be exported on priority basis.

b) Priority movement to be allowed for Trucks carrying textile cargo, especially fabric directly into CWC / Integrated Customs Park (ICP) Petropole with exemption of parking at Bongaon Municipal Parking at Kalitala and should be allowed to move to Benapole on priority.

1. It is highly desirable that perishable goods and cotton to be exported from Ghojadanga port instead of Petrapole.

2. On holidays likes Pooja, Eid or any other work disruption/reasons, sometimes export is stopped for 3 to 5 days. In such situation, there should be contingent plan/alternative arrangement so that export is continued in such circumstances also.

India: Integrated approach is required for increasing textile and clothing exports

A vibrant fabric industry determines the success of garment manufacturing/exports in satisfying the requirement of leading brands. More and more Brands

are nominating the fabric to be used by garment manufacturers. Many times, the same fabric has to be used in making garments wherever produced globally. If the fabric production cannot meet the standards prescribed by Brands, the same fabric cannot be prescribed for use by them. This underlines the fact that fabric production has to be competitive internationally so that Brands can rely upon such suppliers to supply the nominated fabric across the countries like India, Bangladesh and Sri-lanka etc to garment manufacturers who are serving these Brands. If fabric made in India is nominated than there are high chances that garment manufacturing order may flow to India. On the other side, if nominated fabric is made in China, it is very likely that in case of garment exported to EU , it will be made in Bangladesh. Similarly, if garment is to be exported to USA , it will be manufactured in Vietnam etc.

Fiscal policy support required

Various studies have confirmed that incidence of unadjusted taxes/levies is very high on export value of fabric in addition to cost disadvantageous arising out of logistic issues, infrastructure bottlenecks etc. Taken together, cost disadvantage constitutes about to about 8-10% of exports in-competitiveness, which needs to be addressed though suitable WTO compatible schemes for textile exports.

Other concerns

Absence of strong domestic textile machine manufacturing especially for fabric making and processing sector is one grey area. India has to depend upon imported textile machinery, which cause drain of foreign exchange and unnecessary delay in setting up projects. Non availability of modern processing machines in India is also one possible cause of low level of modernization in knitting, weaving, dyeing and fabric processing sectors. This is one area where policy support from the Government is required in terms of incentivizing foreign textile machine producers to setup manufacturing units in India to cater domestic and export market. Similarly consistent and flawless supply of dyes and chemicals without dependency on other countries need increased amount of indianization of dyes and chemical manufacturing as a part of "Make in India" initiative.

Challenges of Environmental Sustainability:

Textile industry intrinsically is being most water intensive and also considered as a polluting industry also. Therefore, it is imperative for us to think about environmental sustainability. Sustainability has become the pre requisite to business today among all big global textile brands of USA, Europe, Japan among others. As a response to consumer demand, many licencing and certification agencies like GOTs, Fairtrade, Organic, HIGGS, RSL (Restricted substance list), ZDHC (Zero discharge of hazardous chemical) for fibre to chemical have started insisting upon strict compliance. In the absence of common infrastructure like CETP, investment for green field projects has gone up very high adversely affecting profitability of textile processing operation in India. This also need serious attention in terms of speedy provision of common facilities in the country. Last but not the least, R&D on this area of sustainability, reduction of pollution, avoiding hazardous chemicals, developing alternatives needs to be extensive and funded sufficiently from government and industry.

ACADEMIC AND INSTITUTIONAL SUPPORT:

A gap is often felt between research institutes focused area and industries requirements. Many time institute try to do some practical projects which are not being funded by suitable government/industrial agencies and many time institutes are doing R&D and projects which are not very related to industry or are not contemporary in nature. Both need each other's support and there is huge gap to be covered. Similarly in technology like weaving, processing, automation technology in processing like EVS, Pleva, E+L, Mahlo, Automation for control and monitoring like SCADA system namely SEDO Tree Point, Digital printing etc. which needs software knowledge to be integrated with textile knowledge, is an area where gaps need to be filled by collaborative efforts of Industry and academia.

ACTION AGENDA FOR GOVERNMENT

- Government has to work on policy issues addressing textile industry in holistic manner
- Creates infrastructure in terms of high speed road, rail transport and faster clearance at ports.
- Unadjusted cost of the industry, which is also not refunded should be refunded to industry to keep export competitive.
- Focus on development of infrastructure which helps in improving productivity, reduce time and cost of producing and shipping the textile products to oversea markets and domestic market.

ACTION AGENDA FOR INDUSTRY

- Industry need to develop vibrant and responsive quality culture
  - Need productivity improvement
  - Need skill development
  - Need overall behavioural change focusing on improvement in system

INDIAN TEXTILES INDUSTRY

WTO-CONSISTENT SUPPORT SCHEMES FOR LEVEL PLAYING FIELD

Mr. Harsha Vardhana Singh
Former Deputy Director General, WTO

Ms. Veena Jha
Former Head of UNCTAD India Office.

For some years, the main support programme used by Indian textiles and apparel industry (particularly made-ups and apparel) has been the Merchandise Exports from India Scheme (MEIS) export subsidy. India's export subsidies to textiles and apparel had to be removed under WTO rules. For merchandise trade, WTO prohibits subsidies contingent, in law or in fact, upon export performance.

On this basis, the US has challenged five export subsidies of India under the WTO Dispute Settlement Process. Of which MEIS has been the most prominent one. This dispute is still going on, for export subsidies provided to textiles and apparel. India had a much shorter time line (end of 2018) under the WTO's Agreement on Subsidies and Countervailing Measures to phase out these subsidies. Under this Agreement, while India could earlier continue to give export subsidies for goods in general, it had to remove them for products for which its global export share was 3.25% or more; India's export shares of textiles and apparel were estimated by WTO to have crossed this threshold, and India had till end of 2018 to remove export subsidies for these products.

The Government of India has replaced them earlier this year, by providing refund of indirect taxes on inputs levied under State and Central taxes which are not covered by the GST scheme (i.e. ROSCL). Such refund of indirect taxes on exports is allowed in WTO. This ROSCL amount is a relatively small part of the support provided earlier, and in any event does not equip Indian exporter with the level of support required to create a more level playing field in global exports. Table 1 below shows the disadvantage faced by Textiles exporters of India in global markets from their main developing country competitors in textiles in a hypothetical situation where no subsides are provided to Indian exporters. The average subsidies for competitors are about 10% of the F.O.B. value of exports; In addition, some of the competitors have duty free access to large importing markets, an advantage not available to Indian exporters. The subsidy regime for Indian exporters would thus need to be significantly larger for combating the relative disadvantage they face in global markets.

Table 1. Competitors' Advantage in Comparison to Indian Exporters of Textiles Due to Subsidies and Preferential Tariffs

Types of advantage	Advantage of Competitors (Subsidy/Tariff Preference) % of F.O.B. Value of Exports
Total	17.6
Logistics and Trade Procedures	2
Income tax exemption for foreign professionals	0.1
Lower VAT rate	1
R and D subsidies	0.5
Cash and other direct financial incentives	4
Land, Infrastructure and Power	1
Corporate Income tax	1.5
Tariff preference	7.6

Source: Field Surveys and Official Documents of Different Countries Involved

Subsidies not linked to exports are allowed under the WTO. Moreover, facilitation policies such as those contributing to ease of doing business are not considered as subsidies under WTO. Likewise, subsidies (even export subsidies) to services are allowed under the WTO. Keeping these in mind, India's support schemes could be based on the practices of main competitors. Many of them provide multiple types of support/subsidies, such as: providing Infrastructure for production/sale; Subsidies such as refund of taxes, low tax rates, low charges for inputs; Ease of doing business, such as timely approvals, refunds, customs clearances and few and quick procedural requirements; Encouraging scale of operations and related regulations; Periodically monitoring and improving existing support schemes, as part of an overall strategy to build phase-wise changes in operational conditions and abilities of exporters. Table 2 below gives examples of specific subsidies provided by China, Vietnam and Bangladesh.

Taking account of the WTO criteria mentioned above, and the major areas which need to be strengthened for improving competitiveness, alternative support schemes to export subsidies could be developed to add to the ROSCL scheme implemented at present.

To begin with, ROSCL could be extended also to parts of the value chain which does not yet benefit from it, i.e. yarn and fabrics. In addition, other embedded indirect taxes should also be identified to be added on to the present ROSCL.

Further, support schemes could be based on address major areas of cost disadvantage faced by Indian textiles producers. These include subsidy for wages, power and transport costs, product development costs (which involve scientific knowledge but less rigorous than that specified for R&D), interest subvention schemes, and duty-free import of machinery being permitted for modernisation & upgradation of technology (starting with the existing machinery and equipment covered under the EPCG scheme). Support, including financial support, for enabling exporters to meet global standards should become more incrementally a part of the support schemes.

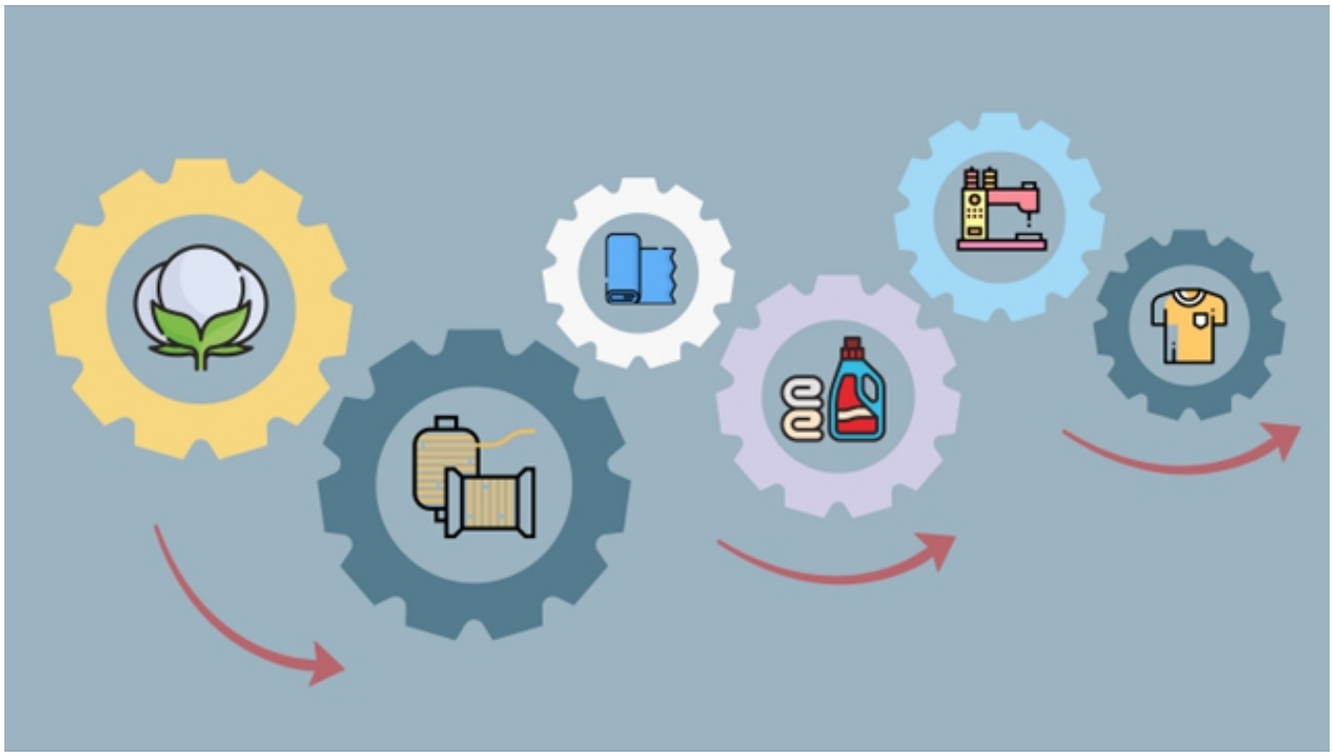
In addition, the current SEZ schemes (challenged by the US at WTO) should be converted to investment zones, with Advance Authorization being used to allow duty-free imported inputs.

To give effect to these policies, a heightened effort at facilitation and ease of doing business could be started, initially focused on employment-intensive sectors such as textiles and apparel and technology intensive sectors. The focus has to be on monitoring the feedback of exporters and in a timely manner address the problems that they face due to policies and procedures being burdensome and time taking.

Add to this, the possibility of subsidising the services provided by those who identify ways of developing global brands or linking up exporters with "lead firms" that manage global value chains (including with India). Their services to facilitate exports with technological and financial solutions, purely as a service provider, should also be supported.

Table 2. Examples of Incentives Provided To Textiles By China, Vietnam and Bangladesh

Exemption / Reduced Rate of Corporate Income Tax	Land Price reduced for investors	Duty free equipment, capital and construction material
Cheap infrastructure (factory, waste treatment)	Cheap Power supply	Duty free raw materials
Income Tax reduced for expatriates/technical experts	Incentives for Building Global Brands	Incentives for R&D
Land duty and stamp duty exempted/reduced	Incentives for upgrading technology	Fund for promoting trade
Lower rate of interest on loans	Support for training, housing of workers	Simplified VAT regime and large extent of VAT refund



STRATEGIES TO BE ADOPTED FOR PROMOTING INVESTMENT OPPORTUNITIES IN INDIAN TEXTILES & CLOTHING VALUE CHAIN

Mr. Prashant Agrawal
Jt M.D., Wazir Advisors

Textile sector has played a pivotal role in the growth of economies across the globe since industrial revolution in late 18th century. Phase out of Multi-Fiber Arrangement (MFA) in 2005 has been the landmark event for textile and apparel sector which had far reaching impact. Asian countries like China, Bangladesh, Vietnam, India, etc. are expanding their global market shares at the expense of high cost nations like Italy, Spain, Mexico, Portugal, etc. The potential of China and India as super consumers is very well accepted as reflected from the strategies of large international manufacturers, brands and retailers to penetrate these countries.

Large and Growing Market

The global apparel consumption is estimated to be approximately US$ 1.8 trillion which accounts for 2.3% of the global GDP. In 2017, EU and USA were the largest apparel market with a combined share of over 41%. China and India collectively accounted for a market of 16%. The global apparel demand is expected to grow at a CAGR of 5% to reach US$ 2.6 trillion by the year 2025. Among the top eight markets of apparel, India is expected to grow at a highest rate of 12%. Higher economic growth and rise in per capita income will lead to the growth in the apparel market.

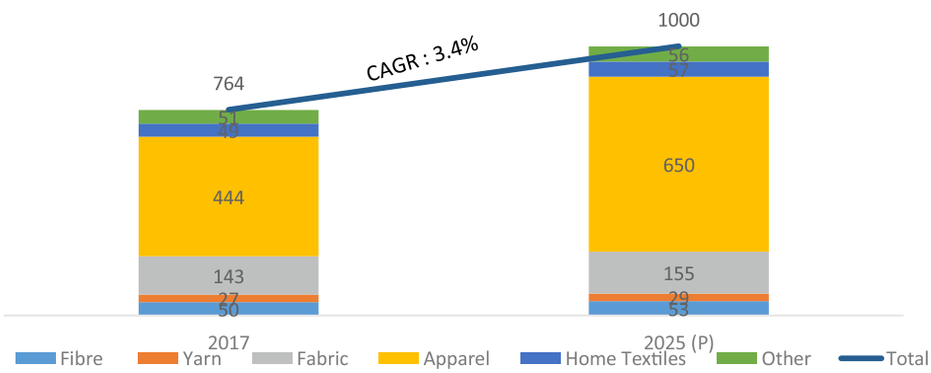
Table 1: Global Apparel Market Size (US$ billion)

Country/Region	Value 2017	Share 2017 (%)	CAGR (2017-2025) (%)	Value 2025
EU-28	403	22	1	437
United States	341	19	2	399
China	210	12	10	450
Japan	99	6	1	107
India	67	4	12	160
Brazil	61	3	5	89
Russia	41	2	5	60
Canada	32	2	2	37
RoW	546	30	6	881
World	**1,800**		**5**	**2,620**

Data Source: Published data and Wazir Analysis

In 2017, the global textile and apparel trade stood at US$ 764 billion. Apparel was the most traded category with a share of 58%. Fabric was the second largest category and accounted for 19% of the total trade. The global trade of T&A is expected to grow from the current US$ 764 billion to US$ 1,000 billion in 2025, while growing at a CAGR of 3.4%.

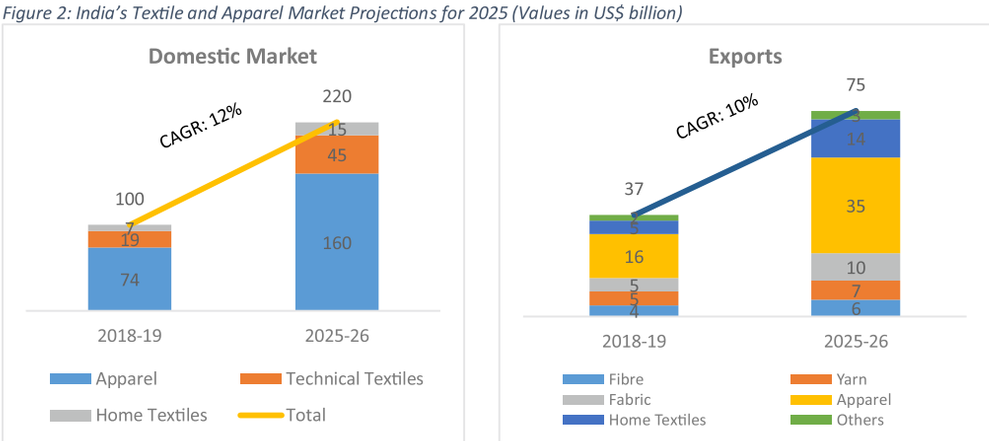
Figure 1: Global Textile and Apparel Trade (US$ billion)



Data Source: UN Comtrade database and Wazir Advisors

China, the largest T&A exporter, accounted for 36% of the total T&A exports. India was the second largest T&A exporter with exports worth US$ 37 billion.

Figure 2: India's Textile and Apparel Market Projections for 2025 (Values in US$ billion)



Data Source: Wazir Analysis

In today's scenario, Indian textile and apparel industry stands a chance to gain in a big way from the global and domestic opportunities by exploiting the enabling business environment being developed in the nation. By adopting different strategies and taking well informed decisions, India can grow from US$ 138 billion in 2018-19 to US$ 295 billion by 2025-26.

In order to cater this demand, an addition investment of US$ 45 billion will be required.

India: The Next Alternative to China?

China has dominated the global textile and apparel trade scenario in last 2 decades with a share in the range of ~ 40% by successfully leveraging its large human resource base, low manufacturing costs and large scale infrastructure. However, China's share in global textile and apparel trade has decreased to 36% in 2017. The major reasons for the decline is the increasing attraction of China's domestic textile and apparel market and rising labour cost. The cost of labour in China is approx. US$ 550 / month which is much higher than the cost in India which is approx. US$ 160/ month.

Moreover, it is noteworthy to mention that trade war between China and USA will also result in decline in textile and apparel exports from China to the US. Recently USA has also increased import tariff from 10% to 25% on various textile commodities. This will hit China's exports to US.

As the textile and apparel industry is highly labour intensive providing employment to significant quantum of people, both the Central and State Government want to promote and support the sector in India. The Indian Government over the years has come out with various policies and schemes for upliftment of the sector including Technology Upgradation Fund Scheme, Scheme for Capacity Building in Textiles Sector (SAMARTH), Rebate of State and Central Taxes and Levies scheme (RoSCTL), Merchandise Exports from India Scheme, etc. Various state governments are also offering sector specific incentives like capital subsidy, interest subsidy, wage subsidy, etc.

It is pertinent to mention that India is cost competitive manufacturing base for all types of products across the textile value chain. In terms of labour and power cost, India is competitively positioned against most of the competing nations.

China's loss of share in global trade will throw up opportunities for other exporting countries to take up the market share. India has a chance to become a major gainer provided the industry can address the structural weakness timely and effectively.

Is India Prepared?

With fierce competition in the market, the requirement of low cost products has increased. Unfortunately, low cost labour is not the only requirement to achieve this goal. Cost advantage comes through superior product quality, innovative design, customization, on-time delivery, technology innovations and good service. Hence, In order to achieve the desired growth, India needs to emphasize on two important aspects- manufacturing excellence and customer focus.

- **Manufacturing Excellence:** To remain competitive in the international market, manufacturing excellence is the need of the hour. In order to achieve that, the companies need to focus on efficient and proper production planning, development of Standard Operating Procedures (SOPs), focus on IT and high performance training at all levels.
- **Customer Focus:** Manufacturers would be required to enhance their customer focus through value added services which may include time delivery, product development & sampling and IT enabled tracking.

Strategy to be Adopted for Promoting Investments in Indian Textile and Apparel Sector

By 2025, the Indian domestic textile and apparel market size is expected to touch US$ 220 billion by 2025, this would mean a market addition of US$ 120 billion. Also the textile and apparel exports is expected to grow from US$ 37 billion to US$ 75 billion by 2025. In order to cater to such high demand, an investment

Table 2: Factor Cost comparison of India with Competing Countries

Cost element	Unit	India	B'desh	Cambodia	China	Ethiopia	Vietnam
Labor cost*	US$/month	160-180	110-120	180-190	550-600	60-80	190-200
Power cost	US$/kwh	0.10-0.12	0.09-0.12	0.20-0.25	0.15-0.16	0.03-0.04	0.08-0.10
Lending rate	%	11-12%	12-14%	14-16%	5-6%	6.5-7.5%	6-7%
Water cost	US cents/m^3	16-20	20-22	70-90	55-60	30-40	50-80

**Cost for semi-skilled labour; includes all benefits*

of US$ 45 billion would be required. Some of the strategies that can be adopted to bring more investments are given below:

1. **Mega Textile Parks:** In order to increase the competitiveness of Indian textile and apparel sector, there is a need to develop Mega Textile Park with world class manufacturing facilities and pre-built infrastructure. This would facilitate increased investments, higher employment generation, increase in focus of value added products, etc.
2. **Foreign Direct Investment (FDI) Missions-** While FDI may be a very small component of the total investments required in the sector, it is very important to attract FDI for technical know-how and training of manpower. Indian government has to go all out to invite FDI from target countries like, China, Korea, Japan, Taiwan and Turkey in T&A industry and Technical textiles from EU and US. We have to make companies aware of the initiatives being taken for ease of doing business and incentives being offered by center and states to attract investment in textile and apparel sector.
3. **Focus on Free Trade Agreements (FTAs):** India's major competing countries have preferential market access to major global markets. Examples include Bangladesh, Vietnam Turkey, Pakistan, etc. India does not have any trade agreement with a major textile and apparel consumption base which could have helped in exponential growth of India's textile and apparel exports. Hence, India has to focus on FTA with EU and USA. There are several large and emerging markets where India can benefit from FTAs such as Turkey, Australia, Russia and CIS countries.
4. **Skilling Mission at Mid and Senior level:** Availability of skilled and productive manpower at all levels is very crucial to achieve global competitiveness. While Government has launched various programs and policies, however they focus more at the worker level. There is need to implement a program for assisting individual firms for providing qualitative training support at all levels in the organization.
5. **Focus on Mission for Manufacturing Excellence & Building Smart Factory:** Investments can only come when the factories are competitive. Hence Government may support the companies to build smart factories.
6. **Mega Marketing Event:** While large number of Trade Exhibitions, Buyer Seller Meets, etc. are organized regularly in India, the scale of such events is limited. International professional agencies to be hired to shape mega marketing events for next 15-20 years. The event would involve participation from geographies across the globe covering all sub-segments of textile value chain where buyers find a compulsive relevance to join. This will give opportunity to small and medium players to market themselves and find markets and buyers for their growth.

TEXTILES: A TIME FOR INTROSPECTION

EXCERPTS FROM THE SPEECH DELIVERED AT NISTI SEMINAR

Mr. Shekhar Agarwal
Vice Chairman, RSWM Ltd & Managing Director, Maral Overseas Ltd

With the new and historic government mandate, we hope that textiles is given the due importance it deserves - as one of the biggest private sector employer and foreign exchange earning industry.

Textiles plays an important role, but honestly, the industry is languishing. We have only looked at the soft option of adding spinning capacities to take benefits of TUFS, and aggressive investing in value chain – fabrics, garments made-ups. I do agree that there are issues of high labor costs, low productivity and efficiency, etc., but we need to do our bit for training not only fresh labor, but also young graduates into leadership positions. There is a need to adopt modern tools of management, like automation, computerisation & systems upgradation and technology.

Why is our exports in textiles not growing and remains at around $ 36-37 bn, when countries like Bangladesh are already past $ 38 bn and Vietnam is very close to that? One of the most glaring reasons is our incompetency to excel, meet customer demand and service our customers. I face these challenges in my own organization every day! Adopting the latest technology is easy but converting that into producing the right product at the right price and on time is a challenge. The potential to grow is enormous, if China can have 36% of the global textile and apparel trade, why are we still at 4%, even though we produce our own cotton and MMF fibre, and have experienced technical and managerial talent in the industry? What we lack is the will to excel, to go out and learn what is expected of us.

Cotton based products have been our major area of concentration, but the world has moved much beyond that and done wonders in designing exciting and sophisticated products made from MMF. We have been largely left behind, not just because of adverse duty structure, but also because of neglecting this large portion of the textile value chain. I am sure that if more efforts were made in adopting latest trends and focussing on sophisticated designs, we could do wonders, not only in India but also across the world.

The domestic market is growing aggressively, due to increasing disposable incomes, and the young generation and the middle aged becoming more fashion conscious and demanding. Why have we created a situation that international brands are taking over this market, while we have only a handful of local brands catering to, although to the lower or middle sector of the market? This is only because we lack diversity of products - the so called 'wow factor'.

The truth is that opportunities exist even today, and we need to grab them, otherwise we will be left behind again.

Technical textiles holds enormous opportunities for the future – consumer products, automobiles, defence, aerospace, medical applications and many others. Industries are at present at a very nascent stage and have not even tapped the fringes of the market. The world has moved far ahead. Think about commercial aircraft like the Boeing 787 or the Airbus 350 made of carbon composites. Automobiles are using parts made from technical material! The need for producing light weight, yet stronger material than steel, is growing, and cost is not a factor.

During my visit to various overseas factories it was a pleasure to see the technology adopted and the level of precision achieved, inspite of a lot of work being done by very well-trained workers and technicians. India, with its abundant labour can take advantage of this, and cater to not only the domestic market but also across the world. But it would require a will to invest, face long gestation periods for certification processes, and maybe, losses in the interim period. We can't be looking at profits from day one, like traders.

Research and development must lead to adoption in product and production - be it technology, processes, product or training. Emphasis needs to be laid on identifying newer areas where investments can be made! We cannot limit ourselves only to the laboratories.

Institutions need to interact more with the industry to understand their needs and produce leaders for the future.

SUSTAINABILITY

NEW NORM FOR LUXURY FASHION INDUSTRY

Dr. Sheetal Jain
Founder & CEO, Luxe Analytics

The word 'sustainability' is permeating every industry in the world. Rising concerns about environmental degradation and climate change has forced individuals as well as corporations to embed sustainability as an integral element in their day to day lives. In context of luxury, sustainability is all about conserving the art, culture, traditions and savoir faire, taking care of people and planet. Although, luxury and sustainability have been long considered as antithetical to each other. The unique characteristics of luxury like rarity, timelessness, heritage, restricted supply, hand-crafted, superior quality, localize production and high prices, links it closely to sustainability.

Recently, a paradigm shift has been witnessed in luxury domain. There has been increased pressure on luxury companies to adhere to sustainability from not only government, media, NGO's but also from the growing number of ethical luxury buyers. As the number of well-educated, socially responsible, affluent, global elite is rapidly rising, the concept of sustainability is becoming top priority for luxury brands. Today, global luxury consumers, especially millennials, expect companies to act responsibly. According to a 2018 study performed by McKinsey & Company in association with Business of Fashion found that 66% of millennials are willing to spend more on brands that focus on sustainability initiatives.

In the past few years, sustainability value has derived importance in buyers' purchase decision. Luxury buyers want the brands they use to reflect their concerns and aspirations for a better world. There has been a transformation from 'conspicuous' to 'considered'

consumption, from 'what you wear' to 'who you are', within conscious luxury consumers, leading to rising consumer demands for product traceability, supply chain standards, product authenticity and quality. They want luxury brands to focus on moral issues related to luxury products and have convincing answers to questions of environmental and social responsibility. Therefore, many luxury fashion brands are working towards redefining their business models with the focus on reducing social and environmental problems through the use of progressive production methods and innovative textile inventions. They are using environment-friendly raw materials, like organic cotton and natural dyes, for instance, the leather of a Dior handbag is attained from Italian bio farms. Many organizations are also using recyclable packaging to ensure circular luxury processes.

Few luxury fashion retailers including Prada and Armani are retaliating to the rising consumer demand for making the value chain transparent and sustainable. Eileen Fisher, an American clothing designer is disrupting the linear production model of take-make-use and dispose. She uses recycled fabrics and give new life to old textiles and discarded garments. Fisher has collaborated with numerous environmental conservation organizations and local artisans with a motive to support planet and people.

A recent study by the Ellen MacArthur Foundation reported that 73% of 53 million tons of garments produced every year ends up in landfill or incinerated. Sustainable consumption act as stimuli among luxury buyers who want to feel good and not guilty, when they are purchasing a certain luxury brand. Luxury warrants a psychological cost categorized as 'guilty pleasures' which might lead to negative emotions after the purchase. Therefore, growing number of consumers are buying sustainable luxury products to experience 'guilt-free' enjoyment. Millennial aspire to rationalize their luxury buying by contributing to social 'well-being'.

It is a known fact that luxury industry is lagging behind other industries in creating and fostering sustainability. The Danish Fashion Institute (DFI) has pointed out fashion as the second most polluting economic sector after oil business. Considering the gravity of the situation, luxury industry is progressing towards sustainability as luxury consumers seek for superior quality products which provide no harm to environment. Few luxury fashion brands like Burberry, Gucci and Stella McCartney have set examples for others.

The British heritage label, Burberry, last year took a pledge to stop destroying unsold clothes, which it previously did as a way to preserve its exclusivity. Burberry has partnered with sustainable luxury company Elvis & Kresse to convert 120 tons of leather offcuts into new items. It is also working to drive industry wide change to move towards zero discharge of hazardous chemicals (ZDHC) in the textile supply chain.

Similarly, Gucci, in its effort towards sustainable development, has recently launched Gucci Equilibrium, an online platform designed to connect people, planet and purpose. In October 2017, it made announcement that no fur will be used in any of its collections. It is also working towards creation of new natural materials.

Another example is Stella McCartney who is known for eschewing leather, fur and feathers in her collection. She has created an alternative to leather, made from mycelium- the root structure of mushroom. McCartney is continuously working on redefining fashion through the use of cutting edge technologies and sustainable materials like reengineered cashmere, ethically sourced wool, organic cotton and recycled textiles. She has aligned with various NGO's such as Parley for the Oceans and Fashion Positive, to bring awareness among the people about how our clothing choices impact the world in which we live.

As we look forward, it is evident that there is a considerable risk to luxury brands that are resistant to invest in people and planet. Therefore, luxury companies should work on reshaping their business models to make it more ethical. Embracing sustainability will provide them with opportunity to enhance their brand image and reputation and possibly create additional value and gain competitive advantage over the other brands.

Though luxury and sustainability appear to be antithetical to each other, but luxury fashion brands must put efforts to reposition themselves as 'the care taker of mother earth' to establish a positive brand image among the new luxury buyers. By 2050, the global economy is predicted to use three planets worth of resources annually. To change that trajectory luxury brands must commit to use less water, leave less fabric waste and emit less carbon. They must invest in renewable energy, innovative technologies, alternative ethical materials and empowering communities.

Dr. Sheetal Jain is founder & CEO of Luxe Analytics, a luxury market consulting firm based in New Delhi. She is an experienced luxury industry professional credited with conducting India's first quantitative study on luxury consumer behavior. Her research work has been published across several international and national refereed research journals, books and other reputed publications. Jain has been widely covered across print, electronic and digital media as a thought leader in the luxury domain.

CITI ACTIVITIES

CITI Chairman, Mr. S. K Jain moderated the Inaugural Session of Apparel Connect 2019 in New Delhi.

CITI Chairman, Mr Sanjay K Jain met Korea Federation of Textile Industry-KOFOTI Chairman and International Textile Manufactures Federation- ITMF President, Mr Kihak Sung in South Korea on 31st May'19 to discuss promotion of trade and investment between the two countries.

CITI Innotex 2018 Runnerup and TMMA Member

'Nantex Machinery Pvt Ltd'

receives patent on Vertical Embroidery Machine after 10 Years of R&D

POLICY SUPPORT NEEDED TO MAKE INDIAN T&C SECTOR A US$ 350 BN INDUSTRY BY 2024-25 – CITI

New Delhi, Tuesday, 29thMay 2019: Confederation of Indian Textile Industry (CITI) on behalf of the Textile & Clothing Industry joins the nation in congratulating National Democratic Alliance (NDA) for being voted to power convincingly. Shri Sanjay K. Jain, Chairman, CITI said, "Indian economy enters into a very important phase with the new NDA Government taking charge after the 2019 Lok Sabha elections". He further stated that the last 5-year period has been a period of consolidation, policy disruptions and shaping up of a new India where many structural reforms took place in the Indian economy and also specifically in the Textile & Clothing (T&C) Industry.

Mr. Jain opined that that T&C Industry has gone through a phase of consolidation where exports stagnated, aggressive State policies directed investments and domestic demand was disturbed due to demonetisation, banking restructuring and implementation of Goods and Services Tax (GST).

CITI Chairman pointed out that India, which was the world's second largest exporter of T&C during 2014-17 after China, has fallen to 5th place in 2018 as Germany, Bangladesh and Vietnam has stepped in. India's T&C exports have declined from US$ 38.60 billion in 2014 to US$ 37.12 billion in 2018 while their imports have increased from US$ 5.85 billion to US$ 7.31 during the same period.

However, Mr Jain stated that the textile industry and Indian economy both are in a very optimistic mood and looking for a start of the golden era where it will realise its true potential and lead to inclusive growth of the country with considerable employment opportunities, especially for the rural women workforce along with technically qualified skilled manpower.

Mr. Jain stated that Confederation of India Textile Industry (CITI), which is the only apex industry chamber covering the entire spectrum of the T&C Industry for both domestic and export markets, has recently completed 60 years of its services to the industry and nation has come out with a **White Paper on T&C Industry,** entailing both general and sector specific suggestions to realise its true potential.

The White Paper details all the needed steps, however CITI has also made a Ten Point Agenda to be addressed by the New Government on a priority basis, which are as follows:

1. **Simplify TUFS guidelines and clear all the pending subsidies in a time bound manner** (backlog around Rs.9,000 crores under various TUF Schemes). Time bound subsidy clearances have to be ensured as owing to variety of reasons thousands of crores of Technology Upgradation Fund Scheme (TUFS) subsidy are pending for a long time which has made many units go sick.
2. **Extend RoSCTL benefit for the entire textile value chain:** The export industry should not be forced to bear the cost of cross subsidies which are in built in power, financing and other costs, and making Indian exports further uncompetitive in global markets which is visible in the stagnated export figures.
3. **TMC-II (Technology Mission on Cotton) may be launched at the earliest**. Need to focus on improving cotton productivity and address other issues on cotton sector to make Indian cotton internationally competitive.
4. **Direct subsidy to cotton farmers should be introduced** when cotton prices fall below the Minimum Support Price (MSP) to ensure the value-added downstream industry gets raw material at market determined prices – in an international competitive environment as the industry cannot bear the social subsidy burden.
5. **Announce National Fibre Policy** to ensure win-win strategy for all the stakeholders and ensure adequate availability of quality raw material at an international price throughout the year to achieve the potential growth rate of the textiles and clothing industry.
6. **Mission mode approach for promoting MMF sector**, as without its growth, the textile industry can never achieve the USD 150 billion export target by 2024-25. MMF Downstream Industry must get their raw materials at Internationally competitive prices to enable increase its share in the Export and also Domestic Markets. Inverted GST duty structure on MMF Sector to be corrected, as huge blockage of funds is happening and refunds are very difficult as well as time consuming due to non-allowance of service GST adjustment against output liability. Need to have a uniform rate of 12 % for MMF sector.
7. **Reduce Hank Yarn Obligation (HYO) from 30 % to 15 %** (as already recommended by the office of the Textile Commissioner) and also reduce the number of items from 11 to 3 prescribing the fabric construction details under Handloom Reservation Act to enable Ease of Doing Business.
8. **Employee State Insurance (ESI) benefits for the entire T&C Industry:** The textile industry is still more than 60% unorganised, hence a majority of people are not able to get Employee State Insurance (ESI) benefits. We propose that an ESI type facility on contribution basis should be made available to the workforce in unorganised sector like those employed in the organised sector.
9. **Urgent need to negotiate FTAs** with developed and large markets like EU, Australia, Canada, Britain etc. to ensure that a level playing field is provided against competitors like Bangladesh, Vietnam, Cambodia, Pakistan, Sri Lanka etc. Focused approach should be made to sign Free Trade Agreements (FTAs) or Preferential Trade Agreements (PTAs) with large global markets to provide a level playing field to the industry. Expedite conclusion of FTAs with various countries that are already under progress.
10. **Address GST Issues on T&C,** so that refunds can come to the industry quickly and enhance liquidity. Further there are many small GST irritants which need important redressal for which a Special Officer should be assigned to look into all such issues.

Mr. Jain concluded by saying that CITI will submit its detailed White Paper on T&C Industry to the new Union Textile Minister the moment the Government is formed and request the Government to provide the much needed policy support to the T&C Industry to not only achieve the revolutionary initiative of **'Make In India'** of the Hon'ble Prime Minister Shri Narendra Modi Ji but also to make Indian T&C Sector a US$ 350 bn Industry by 2024-25. This will definitely help in bringing out inclusive growth in the economy, create employment opportunities for millions of people at the grass root levels, especially women and help them skilled to reap the benefits of Textile Industry 4.0.

INDIAN TEXTILE INDUSTRY NEEDS TO GEAR UP FOR REAPING RCEP BENEFITS – CITI

New Delhi, Monday, 27th May 2019: Shri Sanjay K. Jain, Chairman, CITI stated that the Indian Textile Industry can play an important role in enhancing total merchandise trade among the RCEP member countries. However, for achieving this, Indian textile industry needs appropriate policy measures, which will also make it globally competitive. Mr Jain also opined that India has to be cautious in this proposed mega trade pact which is likely to be concluded by the end of 2019.

Mr Jain pointed out that Regional Comprehensive Economic Partnership (RCEP) is a gigantic regional bloc in size and scope as it contributes approximately 39% of the global GDP and is also home to almost three-and-half billion people. The huge population size makes this region a big market for the world trade, including textiles and clothing.

RCEP is the proposed comprehensive regional economic integration agreement amongst 16 Nations (10 Member Countries of the Association of South-East Asian Nations, ASEAN - Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, Philippines, Laos and Vietnam; and six FTA partners of ASEAN viz. China, Republic of Korea, Japan, Australia, New Zealand, and India). It covers negotiations on goods, services, investment, economics and technical cooperation, investment, e-commerce, intellectual property rights, etc.

Mr. Jain mentioned that the RCEP member countries' total export of T&C to the world is US$ 413 billion out of world's total T&C exports (US$ 836 billion), accounts for 49.44% share, in the year 2018. While India's share in the total export of T&C among RCEP nation's remains at 9% (approx.) during the same period. Further, India's export of textiles and clothing to the RCEP nations is 13.40% of its total exports to the world, in the year 2018.

Mr. Jain further pointed out that India maintains a trade surplus in T&C Sector with all the RCEP member countries except China. He further said that India had a trade deficit of almost US$ 1 billion with China in T&C in the year 2018.

Chairman CITI commented that India stands at a juncture where it does not have any free trade agreement with two of its biggest trading partners - the USA with which it has the highest trade surplus and the China with which it has the highest trade deficit.

Mr. Jain also pointed out that the ongoing US-China trade war, on the one hand, presents an opportunity to the Indian textile manufacturers to enhance it exports to the USA, while the RCEP trade scenario reveals that India must tread cautiously, particularly with China, as half of India's T&C trade in RCEP is with China, with which it had a big trade deficit of almost US$ 1 billion in 2018.

Mr Jain also commented that the ongoing US-China trade war cannot go unnoticed as China would be looking for new markets for its products. India needs to be over cautious while negotiating with China which is already re-routing its textiles into India through Bangladesh, Sri Lanka, etc.

Mr Jain concluded by saying that India's Trade deficit with China in T&C Sector is likely to be widened once RCEP is concluded and could be detrimental for India's domestic textile manufacturers. Hence, in order to reap the RCEP market, I call upon all the stakeholders of the Textiles and Clothing value chain to gear up quickly with their full potential and make the textile industry globally competitive!

USA INCREASES ADDITIONAL TARIFF TO 25% ON US$ 200 BILLION IMPORTS FROM CHINA - AN OPPORTUNITY FOR INDIA'S TEXTILES INDUSTRY

New Delhi, Friday, 17th May 2019: Shri Sanjay K Jain, Chairman, CITI stated that due to the ongoing trade war between the United States of America (USA) and China, the USA has hiked additional tariff to 25% on US$ 200 billion imports from China, applicable from 10th May 2019. He further stated that the additional tariff hike covers Textile Chapters: 50-60.

Mr. Sanjay Jain observed that CITI's analysis of Chapters 50-60 which are part of the list of notified US$ 200 billion imports from China and on which additional tariff has beenincreased to 25% (as given below in Table 1) reveals that India is at an advantageous position due to tariff hike on China's Textile Products and we must grab this opportunity to increase our share of Textiles exports to the USA.

CITI Chairman mentioned that the value of above-mentioned textile products is approximately US$ 3.96 billion in 2018 which is only 2% of USA's notified US$ 200 billion importsfrom China. Whereas, USA's total imports of these textile products from India is approximately US$ 1.71 billion in 2018, which is 43% of USA's imports from China. Out of the total textile products, cotton textiles account for the largest number of tariff-lines (520 at 10 digit level). In terms of value, the most imported products belong to floor coverings, nonwoven cordage and manmade filaments.

Mr. Jain stated that the additional tariff hike does not include Garments and Made-ups Segments which means that there will be no additional advantage for the Apparel & Made-ups exporters from the above development.

Mr. Jain felt that the above-mentioned additional tariff hike provides an opportunity for the Indian Textile Industry to increase its exports to USA, particularly for the products belonging to the categories; cotton textiles, floor coverings, and manmade filaments.

Table 1: Summary of USA's Imports of Textile Products from China on which Additional Tariff is increased from 10% to 25%

Chapter	Description	No. of Tariff Lines at 10-Digit	USA's Imports from China (US$ million)	USA's Imports from India (US$ million)
			2018	2018
50	Silk	34	23.17	11.15
51	Wool	109	24.69	3.36
52	Cotton	520	207.69	97.30
53	Other Vegetable Fibres	61	35.34	57.62
54	Manmade Filaments	269	614.26	193.58
55	Manmade Staple Fibres	388	392.68	113.69
56	Nonwovens Cordage	77	709.69	95.02
57	Floor Coverings	74	737.85	906.47
58	Special Woven Fabrics	107	216.94	37.28
59	Coated and Industrial Fabrics	75	610.58	115.62
60	Knitted Fabrics	97	386.09	75.97
	Total	**1811**	**3959**	**1707**

Source: Office of Textile and Apparel, USA

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India's Textile and Apparel Exports (In US Million)

Description	March'18	March'19	% change	Apr'17-March'18	Apr'18-March'19	% Change	% share of total Apr'17-March'18	% share of total Apr'18-March'19
Textiles and Made-ups								
Cotton								
COTTON RAW INCLD. WASTE	288	214	-26%	1894	2104	11%	5%	5%
COTTON YARN	378	347	-8%	3425	3895	14%	9%	10%
COTTON FABRICS, MADEUPS ETC.	524	571	9%	5483	5946	8%	14%	15%
	1,191	**1,132**	**-5%**	**10,802**	**11,946**	**11%**	**29%**	**31%**
Jute								
JUTE, RAW	1	0	-65%	15	12	-19%	0%	0%
JUTE YARN	2	1	-40%	20	16	-23%	0%	0%
JUTE HESSIAN	9	9	-4%	141	114	-19%	0%	0%
OTHER JUTE MANUFACTURES	9	8	-9%	127	143	12%	0%	0%
FLOOR CVRNG OF JUTE	4	5	12%	46	53	14%	0%	0%
	26	**24**	**-8%**	**350**	**337**	**-4%**	**1%**	**1%**
Silk								
SILK,RAW		0			0		0%	0%
SILK WASTE	2	1	-33%	16	19	18%	0%	0%
NATRL SILK YARN,FABRICS,MADEUP	4	5	9%	53	58	9%	0%	0%
SILK CARPET	1	2	291%	3	16	502%	0%	0%
	7	**8**	16%	**71**	**92**	30%	**0%**	**0%**
Wool								
WOOL, RAW	0	0		1	1	49%	0%	0%
WOLLEN YARN,FABRICS,MADEUPSETC	20	26	30%	186	221	19%	0%	1%
	20	**26**	**29%**	**187**	**222**	19%	**0%**	**1%**
Manmade								
MANMADE STAPLE FIBRE	53	54	1%	587	571	-3%	2%	1%
MANMADE YARN,FABRICS,MADEUPS	469	466	-1%	4826	4980	3%	13%	13%
	522	**519**	**0%**	**5,413**	**5,551**	3%	**14%**	**14%**
Others								
CARPET(EXCL. SILK) HANDMADE	125	125	0%	1427	1466	3%	4%	4%
COIR AND COIR MANUFACTURES	33	41	26%	326	327	0%	1%	1%
HANDCRFS(EXCL.HANDMADE CRPTS)	186	172	-8%	1823	1836	1%	5%	5%
HANDLOOM PRODUCTS	26	32	20%	356	344	-3%	1%	1%
OTH TXTL YRN, FBRIC MDUP ARTCL	41	43	5%	410	458	12%	1%	1%
	411	**413**	**0%**	**4,342**	**4,430**	**2.0%**	**11%**	**11%**
Total Textiles and Made-ups	**2,177**	**2,122**	**-3%**	**21,165**	**22,579**	**7%**	**56%**	**58%**
Apparel								
RMG COTTON INCL ACCESSORIES	815	923	13%	8511	8693	2%	22%	22%
RMG MANMADE FIBRES	376	427	13%	4747	3852	-19%	13%	10%
RMG OF OTHR TEXTLE MATRL	264	323	22%	3122	3222	3%	8%	8%
RMG SILK	23	28	22%	158	170	8%	0%	0%
RMG WOOL	13	17	24%	169	198	17%	0%	1%
Total Apparel	**1,492**	**1,717**	**15%**	**16,707**	**16,135**	**-3%**	**44%**	**42%**
Grand Total	**3,668**	**3,839**	**4.66%**	**37,872**	**38,714**	**2%**	**1**	**100%**

Data Source: CITI Analysis based on DGCI&S, As extracted on 30 May 2019

India's Textile and Apparel Imports (In US$ Million)

Description	March'18	March'19	% change	Apr'17-March'18	Apr'18-March'19	% Change	% share of total Apr'17-March'18	% share of total Apr'18-March'19
Textiles and Made-ups								
Cotton								
COTTON RAW INCLD. WASTE	53	58	9%	979	633	-35%	13%	8%
COTTON YARN	2	2	-14%	32	21	-34%	0%	0%
COTTON FABRICS, MADEUPS ETC.	35	35	-1%	472	498	5%	6%	7%
	90	**94**	**5%**	**1,483**	**1,152**	**-22%**	**20%**	**15%**
Jute								
JUTE, RAW	6	2	-71%	45	34	-24%	1%	0%
JUTE YARN	4	4	-12%	48	42	-13%	1%	1%
JUTE HESSIAN	2	3	94%	19	26	39%	0%	0%
OTHER JUTE MANUFACTURES	8	8	-3%	68	67	-2%	1%	1%
FLOOR CVRNG OF JUTE	0	0	-99%	1	1	21%	0%	0%
	20	**17**	**-18%**	**181**	**170**	**-6%**	**2%**	**2%**
Silk								
SILK,RAW	10	9	-15%	189	148	-21%	3%	2%
SILK WASTE	0	3	5645%	2	5	180%	0%	0%
NATRL SILK YARN,FABRICS,MADEUP	4	3	-28%	60	49	-18%	1%	1%
SILK CARPET			0%		0		0%	0%
	14.2	**14.4**	**2%**	**250.6**	**202.5**	**-19%**	**3%**	**3%**
Wool								
WOOL, RAW	24	19	-19%	292	310	6%	4%	4%
WOLLEN YARN,FABRICS,MADEUPSETC	7	8	7%	79	115	45%	1%	2%
	31	**27**	**-12%**	**372**	**425**	**14%**	**5%**	**6%**
Manmade								
MANMADE STAPLE FIBRE	37	39	5%	369	467	27%	5%	6%
MANMADE YARN,FABRICS,MADEUPS	173	170	-2%	1896	2202	16%	26%	29%
	209	**208**	**-1%**	**2,265**	**2,670**	**18%**	**31%**	**35%**
Others								
CARPET(EXCL. SILK) HANDMADE	10	8	-24%	94	101	8%	1%	1%
COIR AND COIR MANUFACTURES	0	0	-77%	8	4	-43%	0%	0%
HANDCRFS(EXCL.HANDMADE CRPTS)	65	51	-21%	923	794	-14%	13%	11%
HANDLOOM PRODUCTS	1	1	-16%	11	15	41%	0%	0%
OTH TXTL YRN, FBRIC MDUP ARTCL	71	62	-13%	964	913	-5%	13%	12%
	147	**122**	**-17%**	**2,000**	**1,828**	**-9%**	**27%**	**24%**
Total Textiles and Made-ups	**512**	**483**	**-6%**	**6,552**	**6,447**	**-2%**	**89%**	**85%**
Apparel								
RMG COTTON INCL ACCESSORIES	42	45	5%	351	548	56%	5%	7%
RMG MANMADE FIBRES	21	24	16%	234	324	39%	3%	4%
RMG OF OTHR TEXTLE MATRL	16	16	2%	170	208	22%	2%	3%
RMG SILK	1	1	120%	5	10	102%	0%	0%
RMG WOOL	1	1	-37%	13	16	19%	0%	0%
Total Apparel	**81**	**87**	**8%**	**773**	**1,106**	43%	11%	15%
Grand Total	**593**	**569**	**-4%**	**7,325**	**7,553**	**3%**	**100%**	**100%**

Data Source: CITI Analysis based on DGCI&S, As extracted on 30th May 2019

MONTHLY EXPORT UPDATE ON TEXTILE AND CLOTHING (APRIL 2019)

- India's textile and clothing exports were down by **-0.79%** from US$ **2936** mn. in April 2018 to US$ **2913** mn. in April 2019. However, all commodity exports of India were up by 0.64% in April 2019 over the same month of previous year. Also, the share of textile and clothing in India's total exports declined by 0.16% in April 2019 on YoY basis.

- In April 2019, the exports of four T&A subsectors have registered negative growth as compared to April'18:
  - Jute Mfg. including Floor Covering by **-0.58%**
  - Cotton Yarn/fabric/made-ups, Handloom Products etc by **-5.83%**
  - Man-made Yarn/fabric/made-ups etc. by **-7.03%**
  - Carpets by **-3.52%**

- While export of other subsectors have increased:
  - Handicrafts excl. handmade carpet by 2.05%
  - Apparel by 4.42%

Monthly Export Updates of Textile and Clothing (Value in USD Mn.)

Export catagory	April'18	April'19	% Change
Cotton Yarn/Fabs./made-ups, Handloom Products etc.	896.50	844.22	-5.83%
Man-made Yarn/Fabs./made-ups etc.	418.01	388.61	-7.03%
Jute Mfg. including Floor Covering	22.28	22.15	-0.58%
Carpet	111.17	107.26	-3.52%
Handicrafts excl. handmade carpet	138.46	141.30	2.05%
Sub-Total Textiles	**1586.42**	**1503.54**	-5.22%
Apparel	**1349.81**	**1409.53**	**4.42%**
Textile and Clothing	**2936.23**	**2913.07**	-0.79%
All Commodity	**25908.37**	**26073.47**	**0.64%**
% of T&C in Total Exports	**11.33%**	**11.17%**	

Source: DGCI&S

INNOTEX 2019

Sculpting Innovations in Textiles & Apparel

OPPORTUNITY AWAITS YOU INNOVATORS

DESIGN | METHOD | PROCESS | PRODUCT

Contest is open for:

- Individuals / Start ups .
- Corporates
  - Annual turnover upto INR 500 Cr.
  - Annual turnover more than INR 500 Cr.

Any Innovation/Idea implemented after April 2016 or under development.

Benefits of Participation:

- Recognition on a credible platform
- Opportunity to get mentorship from industry leaders
- Creating a market for your product

The Jury:

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INNOVATIONS IN T&C SECTOR

- Ginning
- Spinning
- Weaving
- Knitting
- Processing
- Garmenting
- Technical Textiles

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QUICK ESTIMATES OF IIP FOR TEXTILE AND CLOTHING SECTOR (T&C): MARCH 2019

T&C in Index of Industrial Production (IIP): Growth Rates (%, Y-o-Y)

Sector	March-18	March-19	April - March 2019
Textiles	-1.24%	-1.09%	1.11%
Wearing apparel	-0.47%	3.07%	10.76%
*T&C Sector**	-0.96%	0.42%	4.20%

*Source: *CITI Analysis & Ministry of Statistics Planning & Implementation*

- The General Index for the month of March 2019 is **-0.1** percent lower as compared to the level in the month of March 2018. The cumulative growth for the period April-March 2018-19 over the corresponding period of the previous year stands at **3.6** percent.
- Textiles (excluding apparels) were down by (-) **1.09** percent, Wearing Apparel was up by (+) **3.07** percent in March 2019 over the same month previous year.
- Cumulative change for April- March 2018-19 for textiles was up by (+) **1.11** percent and wearing apparel was up by (+) **10.76** percent over the same period previous year.
- Textile and clothing industry, as a whole, was up by **0.42** percent in March 2019 over the same month previous year while it is up by **4.20** percent during cumulative period April-March 2018-19 over the same period previous year.

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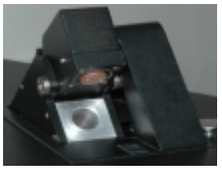
- Automatic Moisture measurement ensures the exact moisture content of the samples at the time of testing
- Automatic Gravimetric Trash measurement as optional provides precise results with single passage of material



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