



sima

Fortnightly

# E-REVIEW

Vol. XIII

No.13

September 1-15, 2018

## NEWS HIGHLIGHTS

- ❖ SIMA OFFICE-BEARERS RE-ELECTED FOR 2018-2019
- ❖ INDIA'S GDP GROWTH TO SLOW DOWN: CREDIT SUISEE
- ❖ INDIA'S WPI INFLATION FOR APPAREL UP 0.7% IN AUGUST

## SIMA 12<sup>th</sup> CEO CONFERENCE

### Highlights of the Conference

- ❖ The 12<sup>th</sup> CEOs Conference SIMA TEXPIN 2018 organized by the Association coinciding the 59<sup>th</sup> Annual General Meeting held on 7<sup>th</sup> September 2018 was attended by the participants in large numbers. The main theme of the Conference was "Breakthrough to Excellence". SIMA Chairman, Mr.P.Nataraj delivered his Welcome Address. Deputy Chairman, Mr.K.Vinayakam spoke about the Conference. In his Welcome Address, Mr.P.Nataraj said while the Indian textile export market is facing a slowdown, the domestic market is growing and is expected to perform well in the coming years too and urged the Indian textile industry to focus on value addition. At present, our textile products are exported to European nations, America, Australia, China, Canada and Asian countries. If we concentrate on value addition, our products will be exported to other countries also. India is the largest cotton producer, user and exporter. The unstable price of cotton continues to be a big headache to the spinning mills.



SIMA Chief delivering Welcome Address



Former SIMA Chairman, Mr.S.Dinakaran seen announcing Technofacts Benchmark Awards

Mr.S.Dinakaran announced Technofacts Benchmark Awards for the top 10 performers for the year 2017-18. The following were the top ten performers:-

- 1<sup>st</sup> position-M/s. Precot Meridian Limited, 'M' Unit 2, Pollachi, Tamilnadu
- 2<sup>nd</sup> position -M/s. GHCL Limited, Unit 1, Madurai, Tamilnadu
- 3<sup>rd</sup> position- M/s. Sri Jayajothi & Co Pvt Limited, Unit 2, Rajapalayam
- 4<sup>th</sup> position - M/s. Premier Cotton Textiles Ltd, Udumalpet, Tamilnadu
- 5<sup>th</sup> position- M/s. Sambandam Spinning Mills Ltd, Unit 1, Salem, Tamilnadu
- 6<sup>th</sup> position - M/s. GHCL Limited, Unit 2, Madurai, Tamilnadu
- 7<sup>th</sup> position - M/s. Premier Spinning & Weaving Mills Ltd, Hosur, Tamilnadu
- 8<sup>th</sup> position - M/s. Sree Narasimha Textiles (P) Ltd, Unit-3, Coimbatore,Tamilnadu
- 9<sup>th</sup> position - M/s. Precot Meridian Limited, 'M' Unit 1, Pollachi, Tamilnadu
- 10<sup>th</sup> position - M/s. Sambandam Spinning Mills Ltd, Unit 2, Salem, Tamilnadu

He also requested the mills to make use of the services of Industrial Engineering Division of the Association & HRD Centre and optimize the manpower. SIMA has rendered Industrial Engineering services to over 1000 textile mills across the value chain including few mills in abroad which was guided the mills to improve its operational performance within a given time frame. Services like Time and motion study for optimizing man power requirement, Productivity audit, Organisation and Methods, Performance evaluation for staff and workers, etc are few of services which IE Division rendering to the mills over decades. This would improve the productivity, reduce cost of production, constantly downsize the manpower and upgrade the skill level, etc.

He said that the Association has also been very active in implementing various skill developmental activities namely Textile Sector Skill Council, Integrated Skill Development Scheme and SAMARTH Scheme of Ministry of Textiles for developing the workmen by training/re-training on a scientific basis. He stated that SIMA has recently developed a Code of Conduct for Labour Employment in textile mills and entered into a MoU with British Standard Institute. The Association would soon facilitate mills to obtain Labour Employment Code Certificate to avoid any criticism by NGOs and also get recognition from all the top brands for social compliance.

The Guest of Honour, Dr Jairam Varadaraj and Chief Guest, Mr.A Vellayan gave away the Awards to the awardees. Mr.Dinakaran urged those mills, who have not participated in the Technofacts Suvey, to participate in the survey and benchmark their standards.



Guest of Honour, Dr. Jairam Varadaraj addressing the Conference



Chief Guest, Mr. A. Vellayan addressing the Conference

At the inaugural function, Dr. Jairam Varadaraj, Managing Director, Elgi Equipments Limited delivered Guest of Honour Address. He pointed out the importance of having aspiration for the success of any industry. He observed how people often cite the lack of resources for not aspiring and went on to quote the example for our country which had gained independence from the British Rule, although all the resources were with the later, on the strength of one aspiration, i.e., freedom. He said Indian textile industry has a huge potential to dominate the international markets. At present, due to various issues our contribution to the world textile market is low. Hence, the industrialists should start focusing on coming out of the problems and capture the textile markets in the foreign countries. He called upon the leaders of textile industries to look for global opportunities and to increase the value of the employees. Industries need to keep improving to survive, he said.

In his Address, Chief Guest, Mr. A. Vellayan said the State lacked proper policies for sustenance of industries such as textiles, sugar and fertilizer. The need of the hour was for exclusive policies for various industrial sectors. He stressed that policy advocacy of the governments was essential for the growth of industrial sectors. Majority of the textile mills in major textile clusters got closed due to lack of modernization and professional approach. Yet several mills were also successful because of the new generation leadership. Mr. Ashwin Chandran, Vice-Chairman, SIMA proposed vote of thanks.

## SIMA AGM & COMMITTEE

### SIMA office-bearers elected for the second term

- ❖ At the first Committee meeting of the Association held immediately after the 59<sup>th</sup> Annual General Meeting on 7<sup>th</sup> September 2018, Mr. P. Nataraj, Managing Director, KPR Mill Limited, Coimbatore, Mr. K. Vinayakam, Managing Director, SCM Textile Spinners, Avinashi and Mr. Ashwin Chandran, Chairman & Managing Director of Precot Meridien Limited, Coimbatore were re-elected as Chairman, Deputy Chairman and Vice-Chairman of the Association for the year 2018-19.



Mr.P.Nataraj, Chairman



Mr.K.Vinayakam Dy Chairman



Mr.Ashwin Chandran  
Vice-Chairman

## TEXTILE SCENE

### Tamil Nadu urged to shield MSMEs from cotton price rise

- ❖ The South India Spinners Association (SISPA) recently urged the Tamil Nadu state government to formulate a policy to protect micro, small and medium enterprises (MSMEs) following the rise in cotton prices. The state should ensure a buffer stock of cotton and an affordable raw material pricing mechanism, said the association. The rise in cotton prices benefits multinational companies, traders and the Cotton Corporation of India, the release quoted the SISPA president Mr.SK Rangarajan as saying. Companies and traders buy cotton at the minimum support price, hoard the stock and inflate the prices later affecting end-users and farmers, he said. The SME mills lack the financial capacity to buy cotton and store it. In April, the price of cotton hovered around Rs.38,000 per candy-level and reached Rs.48,000 in June, he said, adding that the SME sector is unable to repay bank loans, resulting in non-performing assets

### India's WPI inflation for apparel up 0.7% in August

- ❖ India's annual rate of inflation, based on monthly wholesale price index (WPI), stood at 4.53 per cent for the month of August 2018 over same month of last year. The index for apparel increased by 0.7 per cent to 139.1 in August, according to the provisional data released by the Office of the Economic Adviser, ministry of commerce and industry. The official WPI for all commodities (Base: 2011-12 = 100) for the month of August 2018 rose by 0.3 per cent to 120.0 from the previous month's level of 119.7, the data showed. The index for manufactured products (weight 64.23 per cent) for August 2018 rose by 0.3 per cent to 117.8 from 117.4 for the previous month. The index for 'Manufacture of Wearing Apparel' sub-group rose by 0.7 per cent to 139.1 from 138.2 for the previous month due to higher price of knitted and crocheted apparel (1 per cent). The index for 'Manufacture of Textiles' sub-group also rose by 0.4 per cent to 117.6 from 117.1 for the previous month due to higher price of made-up textile articles, except apparel (2 per cent); and synthetic yarn, texturised & twisted yarn,

manufacture of knitted & crocheted fabrics and cotton yarn (1 per cent each). However, the price of manufacture of other textiles (1 per cent) declined. The index for primary articles (weight 22.62 per cent) rose by 0.1 per cent to 135.1 from 134.9 for the previous month. The index for fuel and power (weight 13.15 per cent) also rose by 0.5 per cent to 104.9 from 104.4 for the previous month due to higher price of LPG, petroleum coke, kerosene, ATF, naphtha and bitumen. Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 3.69 (provisional) in August 2018 compared to 4.17 (final) in July, 2018 and 3.28 in August, 2017, according to the Central Statistics Office, ministry of statistics and programme implementation.

## GLOBAL TEXTILE SCENE

### 51% rise in min monthly wage of Bangladesh garment workers

- ❖ The Bangladesh Government has raised the minimum monthly wage of garment workers by around 51 per cent to Tk 8,000 from Tk 5,300 now with effect from December. This was announced by state minister for labour and employment Mohammad Mujibul Haque Chunnu at a press conference recently after the final meeting of the wage board formed in January. The gazette notification regarding the hike will be published soon. Of the total monthly minimum amount, Tk 4,100 is basic wage, Tk 2,050 is house rent, Tk 600 medical allowance, Tk 350 conveyance allowance and Tk 900 is food expenditure, Bangladesh media reported quoted the minister as saying. However, the hike was rejected by many trade unions, which demand a minimum monthly wage of Tk 16,000 and have urged the prime minister to review the decision. There is no scope for not paying the minimum wage at the entry level, Chunnu said. No change has been made in the seven grades of garment workers. The minimum wage was fixed at Tk 5,300 the last time in 2013, up from Tk 3,000 in 2010. It was Tk 1,662.50 in 2006, Tk 940 in 1994 and Tk 627 in 1985. According to Siddiqur Rahman, the owners' representative in the board and president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the prime minister's suggestion to raise the factory owners' proposed monthly minimum of Tk 7,000 by Tk 1,000 was accepted by them. However, Nazma Akter, president of Sannilata Garments Sramik Federation, a workers' rights group, urged the government to slightly raise the basic wage announced as other benefits are linked to the basic pay. The government should also provide subsidies for the workers' accommodation, food and education so that they can save some money from their wages, said Nazma. As the owners may increase the production target after the wage hike, it needs to be ensured that workers are not overburdened with work, she added. Several leaders from two other rights groups, Garment Sramik Trade Union Kendra and Bangladesh Garment Sramik Sanghati, also echoed her views.

## ECONOMY

### India's GDP growth to slow down: Credit Suisse

- ❖ India's gross domestic product (GDP) growth likely peaked in the first quarter of the current fiscal and as a weaker rupee and rising oil prices remain major drag factors for the economy, some moderation is expected later, Credit Suisse said in a research note. Monsoon deficit is 6 per cent and the acreage under kharif sowing is flat year-on-year, it said. Kharif is the autumn crop sown at the beginning of the summer rains. Despite being 'encouraging', the 8.2 per cent GDP growth in April-June quarter was largely due to base effects, the global financial services company said. "These two headwinds could turn out to be a double whammy for India, exerting an upward pressure on inflation and downward pressure on growth," a news agency quoted the research note as saying. Despite headline inflation easing in recent months because of benign food inflation, the core inflation is inching up and all these factors could prompt the Reserve Bank of India (RBI) to raise interest rates once again by 25 bps—with a risk of a 50 bps hike—in the October policy meeting, according to the note. Higher interest rates will have a negative impact on growth expectations as well. Economic growth is expected to gradually get support from strengthening bank balance sheets as more companies exit bankruptcy, and as goods and services tax (GST) implementation progresses further, it added.

## RAW MATERIAL FRONT

### Nigeria, China sign \$2 bn MoU on cotton industry

- ❖ Nigeria has signed a memorandum of understanding with Chinese firm Shandong Ruyi International Fashion Industry for an investment of \$2 billion in Katsina, Kano, Abia and Lagos states to grow, gin and spin cotton and manufacture textiles and garments, minister of industry, trade and investment Okechukwu Enelamah announced recently in Abuja. The project will involve manufacturing at least 300 million metres of African print to meet 20 per cent of West Africa's demand, he said. The government is aggressively implementing the Nigeria Industrial Revolution Plan for industrialization by establishing the Nigeria Industrial Policy and Competitiveness Advisory Council, Nigerian media reported Enelamah as saying. The focus would be on five high priority areas: policy and regulation, trade and markets, critical infrastructure, skills, capacity building and lastly financing. Infrastructure at many existing industrial parks is being upgraded to turn those into world-class special economic zones, he added.

### Tamil Nadu urged to shield MSMEs from cotton price rise

- ❖ The South India Spinners Association (SISPA) recently urged the Tamil Nadu state government to formulate a policy to protect micro, small and medium enterprises (MSMEs) following the rise in cotton prices. The state should ensure a buffer stock of cotton and an affordable raw material

pricing mechanism, the association said in a press release. The rise in cotton prices benefits multinational companies, traders and the Cotton Corporation of India, the release quoted the SISPA president SK Rangarajan as saying. Companies and traders buy cotton at the minimum support price, hoard the stock and inflate the prices later affecting end-users and farmers, he said. The SME mills lack the financial capacity to buy cotton and store it. In April, the price of cotton hovered around Rs.38,000 per candy-level and reached Rs.48,000 in June, he said, adding that the SME sector is unable to repay bank loans, resulting in non-performing assets.

## JUDGEMENTS

**AHMEDABAD, SEPT 15, 2018: THE ISSUE IS** - Whether income earned from operation and maintenance of SEZ is eligible for deduction u/s 80IAB of Act. **YES IS THE VERDICT.**

### **Facts of the case**

The assessee company, was developer of Special Economic Zone and had filed return for relevant AY, claiming deduction u/s 80IAB of Act, which included profit on business of operation and maintenance of (SEZ) amounting to Rs. 1,94,12,129/-. During assessment, the AO held that income derived from "operation and maintenance" activity of (SEZ) was not eligible for deduction u/s 80IAB of the Act. The AO accordingly denied deduction claimed amounting to Rs. 1,94,12,129/- attributable to operation and maintenance activities. On appeal, CIT(A) reverse the action of the AO. Aggrieved, the Revenue filed appeal before the Tribunal.

### **Tribunal held that,**

++ the Co-ordinate bench of Tribunal in Revenue's appeal relevant assessment year 2010-11 has dismissed the appeal of the Revenue and thus allowed the deduction claimed on operation and maintenance activity. While doing so Coordinate bench in turn relied upon the decision of the Co-ordinate bench of Tribunal in assessee's own case relevant AY 2009-10. In parity with the view taken by the Co-ordinate bench in assessee's own case in the preceding assessment years, it was decided not to interfere with the order of the CIT(A). In the result, appeal of the Revenue is dismissed.

**CX - CESTAT is correct in allowing CENVAT credit availed on raw material used for manufacture of exempted goods which have been exported under bond: High Court**

JAIPUR, SEPT 07, 2018: THIS is a Revenue appeal.

The respondent assessee manufactures Life Saving Drugs.

The period involved is April 2006 to March 2007.

Sub-section (1A) inserted on 13.5.2005 in section 5A of the CEA, 1944 reads:-

(1A) for the removal of doubts, it is hereby declared that where an exemption under subsection (1) in respect of any excisable goods from the whole of the duty of excise leviable thereon has been granted absolutely, the manufacturer of such excisable goods shall not pay the duty of excise on such goods.

The assessee has been clearing life saving drugs for export under bond in addition to clearance in the domestic market. They were also taking the credit in respect of inputs used in the manufacture of exempted life saving drugs on the basis of Sub-Rule 6 of Rule 6 of the Cenvat Credit Rules, 2004 cleared for export under bond as per Rule 19 of Central Excise Rules, 2002.

It is the Revenue contention that since the goods i.e. life saving drugs were unconditionally exempted by notification 6/2006-CE dated 01.03.2006, it cannot be the sweet will of the manufacturer to avail or not to avail the same, rather, the manufacturer was bound to avail the exemption notification in view of section 5A(1A) of CEA, 1944; that the assessee was not eligible to take CENVAT Credit in respect of inputs used in the manufacture of exempted goods which

were exported; that the irregular Cenvat credit so taken and utilized for payment of duty on clearance of other dutiable goods in the domestic market is recoverable.

The Commissioner(A) allowed the appeal filed by the assessee and, therefore, the Revenue went in appeal before the CESTAT.

The CESTAT had dismissed the Revenue appeal and which was reported by us as - 2017-TIOL-1836-CESTAT-DEL thus –

CX - Assessee engaged in manufacture of patent or proprietary medicaments classifiable under Tariff Heading No. 30.04 of CETA, 1985 - Besides manufacture of medicaments, which are chargeable to duty, they also manufacture life saving medicaments, which were exempted from whole of duty of excise under Notfn 6/2006-CE - Assessee has claimed Cenvat credit on inputs which was used in manufacture of medicines and same was also exported - Adjudicating authority has allowed the claim of assessee - By following the ratio laid down in *Repro India Ltd.* 2007-TIOL-795-HC-MUM-CX and *Sharp Menthol India Ltd.* - 2011-TIOL-490-HC-MUM-CX, no reason found to interfere with impugned order: CESTAT

As mentioned, Revenue is before the Rajasthan High Court.

The respondent assessee relies on the decisions in *M/s. Repro India Ltd.* - 2007-TIOL-795-HC-MUM-CX, *Sharp Menthol India Ltd.* - 2011-TIOL-490-HC-MUM-CX, *Drish Shoes Ltd.* - 2010-TIOL-350-HC-HP-CX, *Jolly Board Ltd.* 2014-TIOL-316-CESTAT-MUM (Revenue appeal dismissed by Bombay High Court on 02 September 2016), *Same Duetz Fahr India (P) Ltd. and Ors.* - 2017-TIOL-1259-HC-MAD-CX, *Spice Telecom, Bangalore* - 2006-TIOL-146-SC-CUS-LB to submit that no substantial question of law arises in this appeal.

The High Court noted that the substantial question of which was framed by the appellant reads:-

"1. Whether the Hon'ble CESTAT is correct in allowing the Cenvat credit availed on the raw material used for the manufacture of the exempted goods which have been exported under bond?"

The High Court observed -

"9. While considering the matter, the Commissioner (Appeal) has given detail reasons and the Tribunal has only followed the Bombay High Court decision in case of *Repro India Ltd. Vs. Union of India* - 2007-TIOL-795-HC-MUM-CX and also another decision.

9.1 In our considered opinion, the Tribunal has also considered the judgment of *Union of India Vs. Sharp Menthol India Ltd.* - 2011-TIOL-490-HC-MUM-CX which was upheld by the Hon'ble Supreme Court in *Union of India Vs. Sharp Menthol India Ltd.* - 2015 (320) ELT A 104 (SC) and there is nothing on record to show that the Bombay High Court decision is diluted. On the contrary, in one of the matter, SLP which came to be decided on 12th July, 2016 in Civil Appeal No.2887/2012 (*Commissioner of Central Excise, Chandigarh Vs. M/s Drish Shoes Ltd.*), the judgment of Bombay High Court has been approved."

Holding that it is in complete agreement with the view taken by the Commissioner (Appeals) and the Tribunal, the Revenue appeal was dismissed.



## COTTON AND COTTON YARN PRICES

### Price Behaviour

#### Cotton – Spot\* (Rs/Candy)

❖ Given below are the cotton and cotton yarn prices prevailed at various dates for the benefit of the members:

Variety	14.09.2018	07.09.2018	31.08.2018	24.08.2018	17.08.2018	10.08.2018	03.08.2018
ICS-101 (Bengal Deshi (RG) / Assam Comilla)	43700	43700	44500	44800	44800	44800	44800
ICS-201 (Bengal Deshi (SG))	44800	44200	45000	45300	45300	45300	45300
ICS-102 (V-797)	33400	33000	33200	33600	33300	32000	32200
ICS-103 (Jayadhar)	36600	36200	36400	36600	36200	36400	35700
ICS-202 (J-34)	45000	45300	45900	46100	45900	46000	46000
ICS-105(LRA-5166)	45200	45500	46100	46300	46100	46200	46200
ICS-105 (H4-Mech 1 - Guj)	46300	46100	46600	46600	46700	47200	46700
ICS-105 (Shankar – 6 (Guj))	47500	47300	47700	47800	47700	48300	48200
ICS-105 (Bunny / Brahma)	48000	48100	48400	48400	48500	49500	49100
ICS-107 (DCH 32)	59000	59000	59000	59200	59500	61400	62500

\* - Spot rates quoted based on growth & grade standard (i.e: parameter based)

Source: CAI

#### Cotton Yarn (Rs/Kg – Taxes Extra)

Count	14.09.2018	07.09.2018	31.08.2018	24.08.2018	17.08.2018	10.08.2018	03.08.2018
<b>Hank Yarn</b>							
20s	219	219	219	219	219	219	219
30s	236	236	236	236	236	236	236
40s	259	259	259	259	259	259	259
60s K	254	254	254	254	254	254	254
60s C	327	327	327	327	327	327	327
80s C	401	401	401	401	401	401	401
<b>Cone Yarn</b>							
20s	220	220	215	215	215	215	215
30s	225	225	225	225	220	225	220
40s	230	230	230	230	225	230	225
60s K	285	285	285	285	284	285	284
60s C	315	315	315	315	315	315	315
80s C	375	375	377	377	377	377	377

Source:\* - Mill Source: (Quotes are only indicative)

## CIRCULARS ISSUED DURING THE FORTNIGHT

Sl. No	Cir.No	Date	To	Subject
1)	272/2018	1.9.2018	All Member Mills	Minimum Support Price (MSP) for Cotton Varieties for 2018-19 – reg
2)	273/2018	4.9.2018	All Member Mills	Disposal of machines by M/s. Sona Valliappa Textile Mills (P) Limited – reg
3)	274/2018	6.9.2018	All Member Mills	GST Open House meeting on 20th September 2018 at Coimbatore
4)	275/2018	8.9.2018	All Member Mills	Highlights of the SIMA TEXSPIN, 12th CEOs Conference held on 7.9.2018- reg
5)	276/2018	8.9.2018	All Member Mills	Circulars under ATUFS – reg
6)	277/2018	8.9.2018	All Member Mills	Compliance of the norm of EAT module in PFMS for processing the claims/ subsidy under R-TUFS/ RR-TUFS – reg
7)	278/2018	8.9.2018	All Member Mills	Job Fair at Ranchi, Jharkhand on 24th and 25th September, 2018 - Organised by the Government of Jharkhand – reg
8)	278-A/2018	10.9.2018	All Member Mills	E-tax matter before the Hon'ble Supreme Court – reg.
9)	279/2018	10.9.2018	All Member Mills	Nomination to Sub-Committees of the Association for the year 2018-19
10)	280/2018	10.9.2018	All Member Mills	Job Mela exclusively for Textile Sector at Lucknow, Uttar Pradesh on 28th September 2018 – reg.
11)	281/2018	11.9.2018	All Member Mills	Weekly cotton prices for 3.9.2018 to 8.9.2018 – reg
12)	282/2018	12.9.2018	All Member Mills	Disposal of machinery by M/s. VRV Textiles Limited – reg
13)	282-A/2018	12.9.2018	Member Mills in Tamil Nadu	[1] EPFO and [2] Directorate of Industrial Safety and Health (DISH) - Interactive Session on 24.09.2018, at SIMA conference Hall, Coimbatore – information - reg.
14)	282-B/2018	12.9.2018	Member Mills in Tamil Nadu	Interim Order of the High Court of Madras allowing HSD oil purchase under 2% CST – reg
15)	283/2018	14.9.2018	All Member Mills	CITI's Birla Economic & Textile Research Foundation - Award for "Sustainability in Textile Industry" for 2017-18 - reg

16)	284/2018	14.9.2018	All Member Mills	Make in Odisha Conclave – Investment Roadshow on 29.9.2018 – reg
17)	284-B/2018	15.9.2018	Member Mills in Andhra Pradesh & Telangana	Consumer Price Index Numbers - Chennai City – July 2018
18)	285/2018	15.9.2018	All Member Mills	Minutes of 3rd meeting of Sub-Committee/ Expert Committee of TAMC under A-TUFS – reg
19)	286/2018	15.9.2018	All Member Mills	AP Textile, Apparel and Garment Policy 2018-2023 – reg