



PRESENTATION TO SECRETARY (TEXTILES)



Indian Textiles and Clothing Industry: Issues and Recommendations



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- Introduction to CITI
- Global Textile and Apparel Trends
- Overview of Indian Textile & Clothing Sector
- Overview of Different Segments of Textile Industry
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Introduction to CITI

- Leading industry chamber for T&C Sector of India, representing the leading regional & industry associations and 17 major corporate members, thus, covering the entire textile value chain from farm to garments.
- Cumulative annual turnover of CITI members is around Rs.2 lakh crores plus.
- Interface between the Government and Industry for all policy related inputs.
- Textile Sector Skill Council (TSC) – a subsidiary of CITI received Champion Sector Skill Council Award from the Hon'ble Finance Minister Shri Arun Jaitley in 2017.
- CITI's subsidiary – CITI – Cotton Development and Research Association (CITI-CDRA) for supporting cotton extension and seed development activities. Currently, CITI-CDRA is working with cotton farmers in the districts of Rajasthan, Madhya Pradesh and Maharashtra.
- MoUs with international textile associations- Taiwan, China, Korea, Bangladesh, Uzbekistan.

Our Services

CITI CORROBORATES FOR AND FACILITATES...

FORMULATING

Trade policies, import-export related procedures

INTRODUCING

New technologies practices & services relevant to the industry

ORGANISING

Conference, Seminars and Workshops

PROVIDING

Technical and strategic insights to the industry

GENERATING

Industry participation in trade fairs, exhibitions and business meets

ANALYSING

Authentic data to gauge and project industry performance

PROMOTING

Investment and joint ventures in the textile sector and MOUs

Textile & Clothing Manufacturing Value Chain

Fibre



Ginning

Yarn



Spinning

Greige Fabric



**Weaving &
Knitting**

**Finished
Fabric**



**Finishing
(Dyeing/Printing)**

**Apparel/ Home
Textiles**

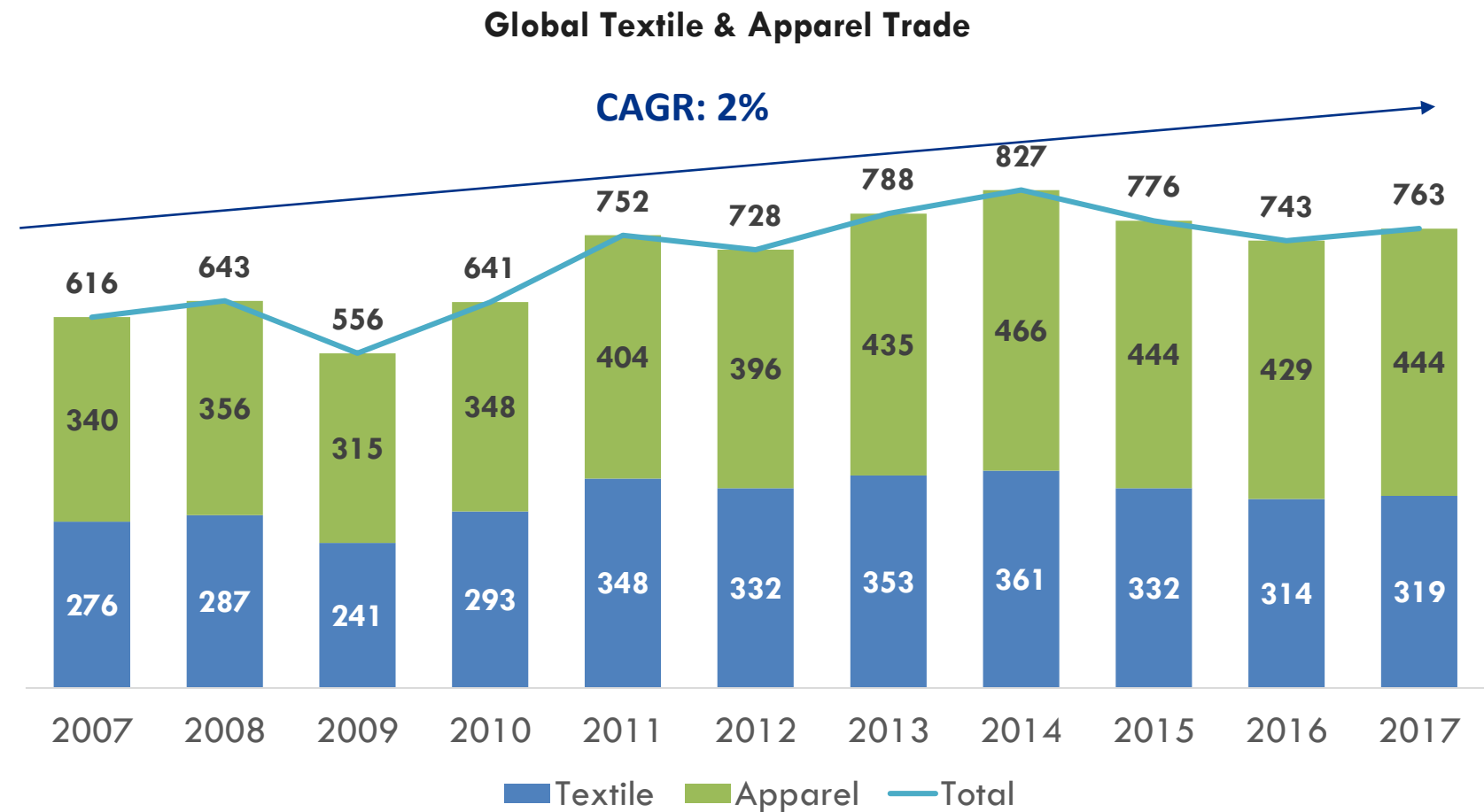


Cut & Sew

Global textile & apparel trade

The global trade stood at US\$ 763 bn. in 2017, growing at a CAGR of 2% since the last decade.

Apparel constitutes largest share in the Global T&A trade having a share of 58%, followed by fabric with a share of 19% in 2017.



Data Source: UN Comtrade

China is experiencing slowdown in its apparel exports, thus creating opportunity for other competing countries



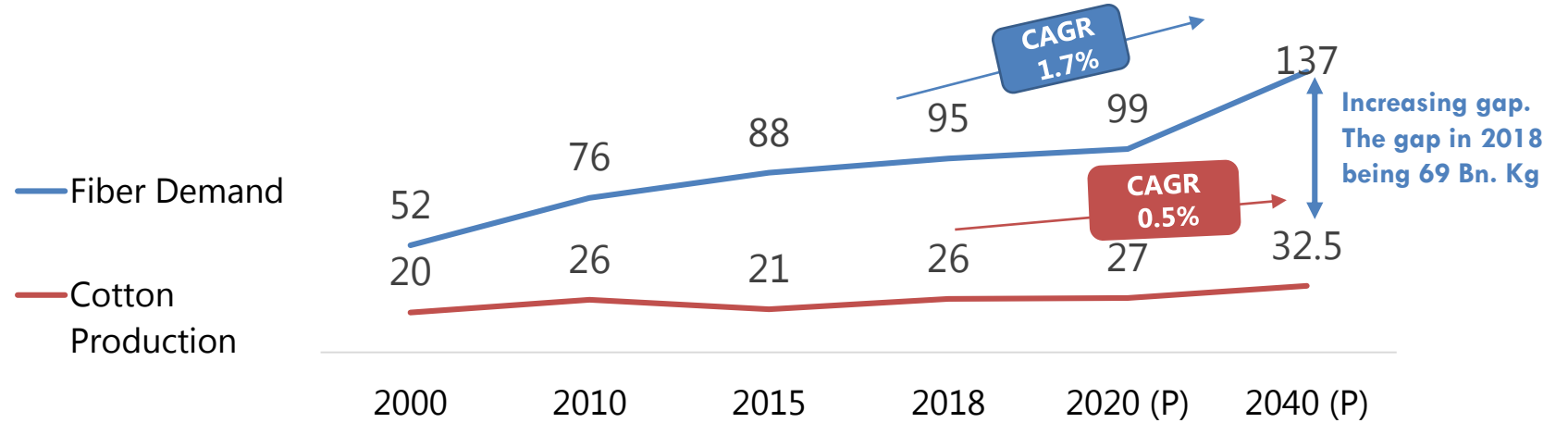
- Major reasons for growth slowdown in China's apparel exports
 - Growth of domestic demand
 - High wage growth
 - Movement of manufacturing towards more value added segments
 - Relocation of manufacturing to neighboring countries
- Trump Tariffs – Proposed US tariffs on China will also have significant impact

There is a need to focus on Synthetic Textiles to Achieve the Desired Growth

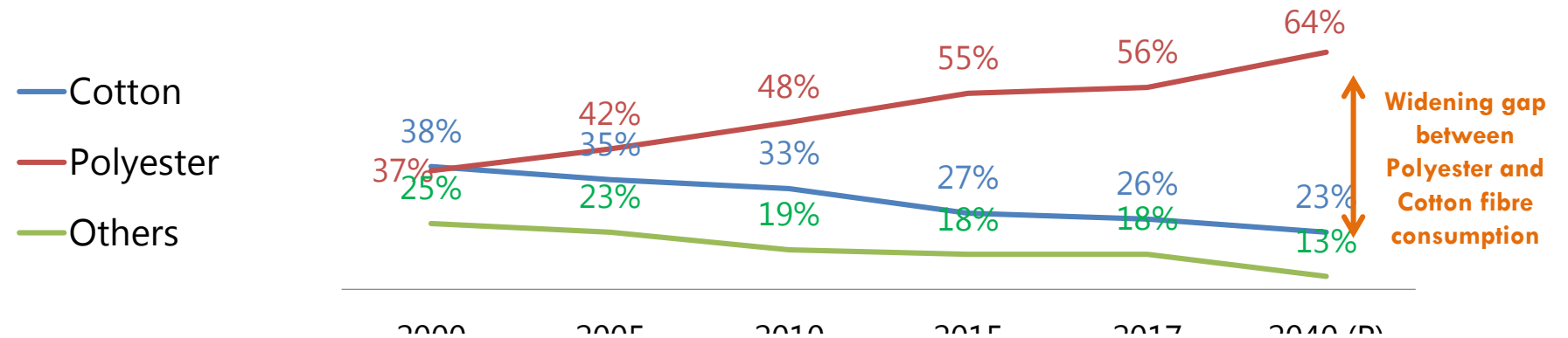
Polyester, the most widely used MMF fiber has seen a growth in demand in recent years.

Polyester demand will be almost three times to that of Cotton in 2040.

Global Total Fibre Demand and Cotton Production (Bn. Kg)



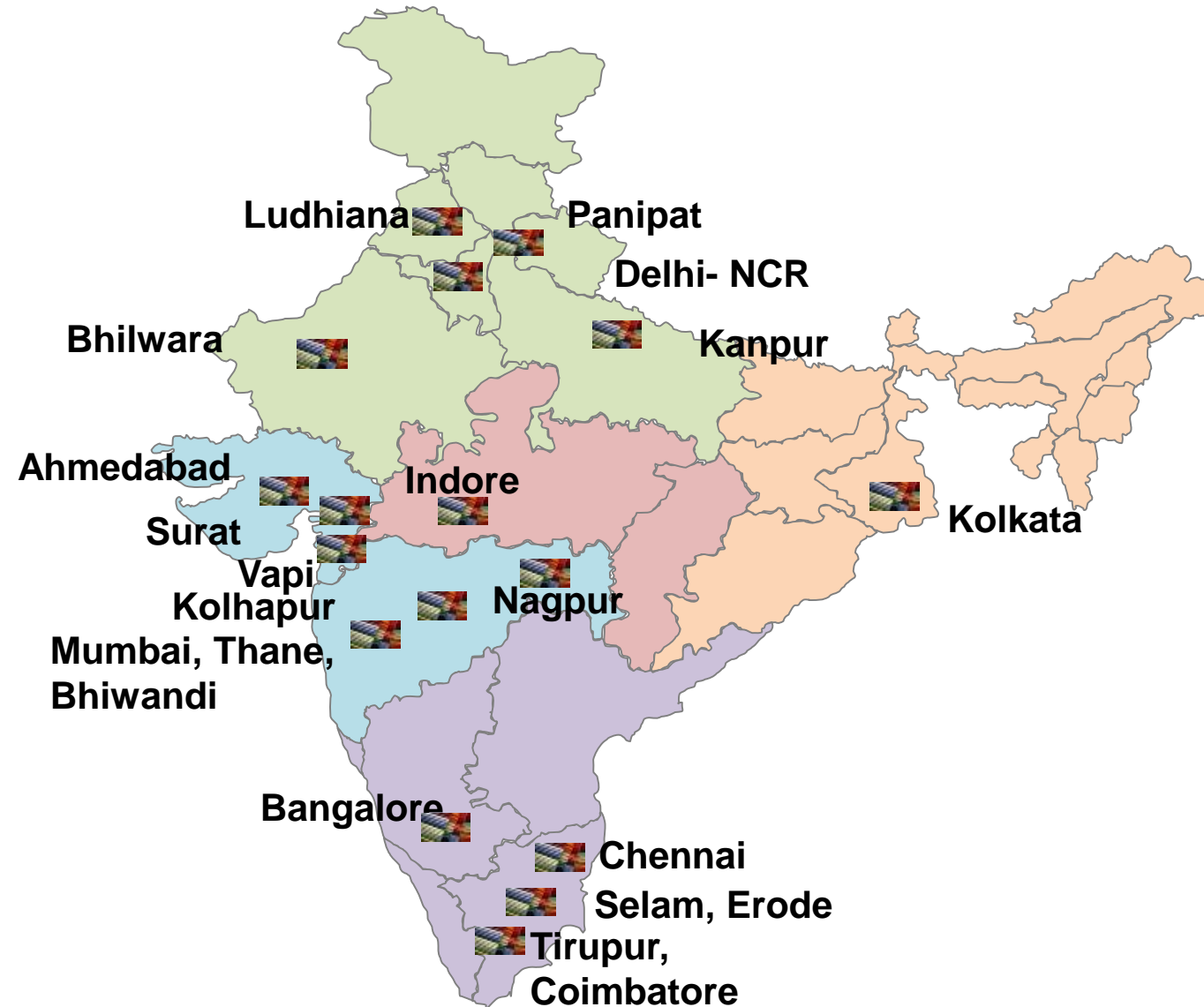
Global Fibre Consumption Trend



Indian Textile Sector- Importance

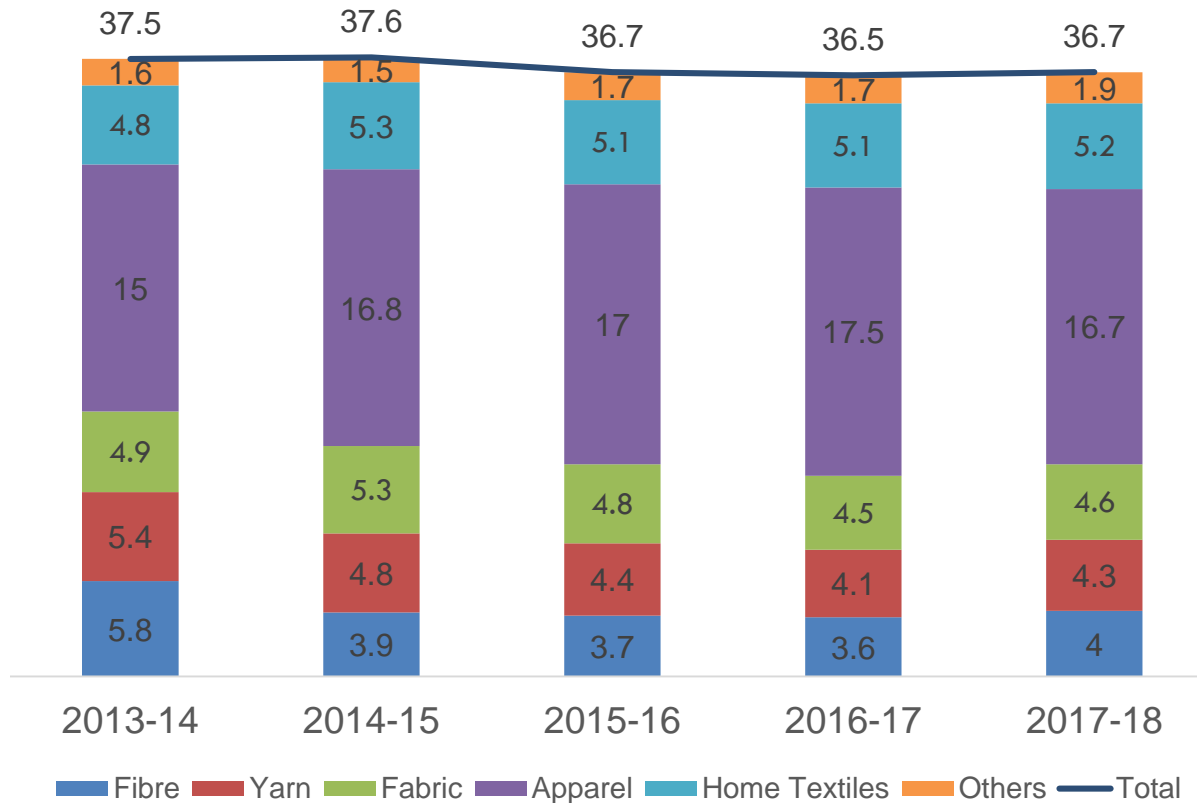
- 2nd largest global manufacturer and exporter
- Largest global producer of cotton and 2nd largest producer of Polyester and Viscose
- Presence of complete value chain – from fibre to fashion
- Largest industrial employer – employing more than 10 crore people directly and indirectly
- Approx. 12% share in India's total exports
- Contributes about 10% of manufacturing production

Textile and Apparel Clusters in India

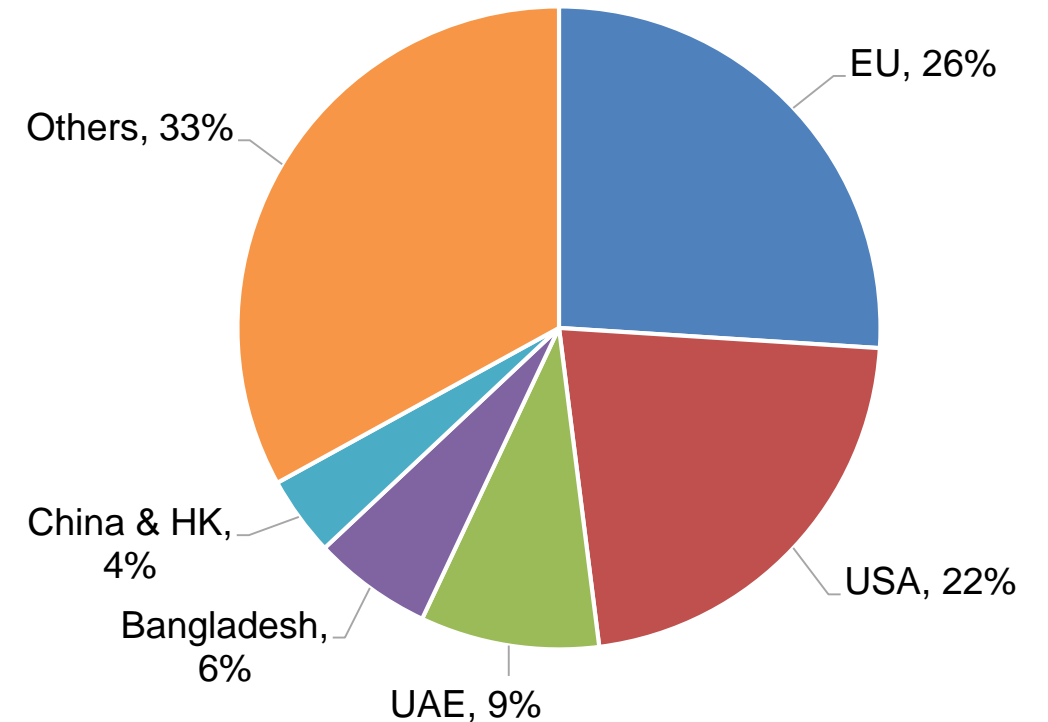


India's Textile and Apparel Exports

Indian Textile & Apparel Exports (in US\$ Bn.)

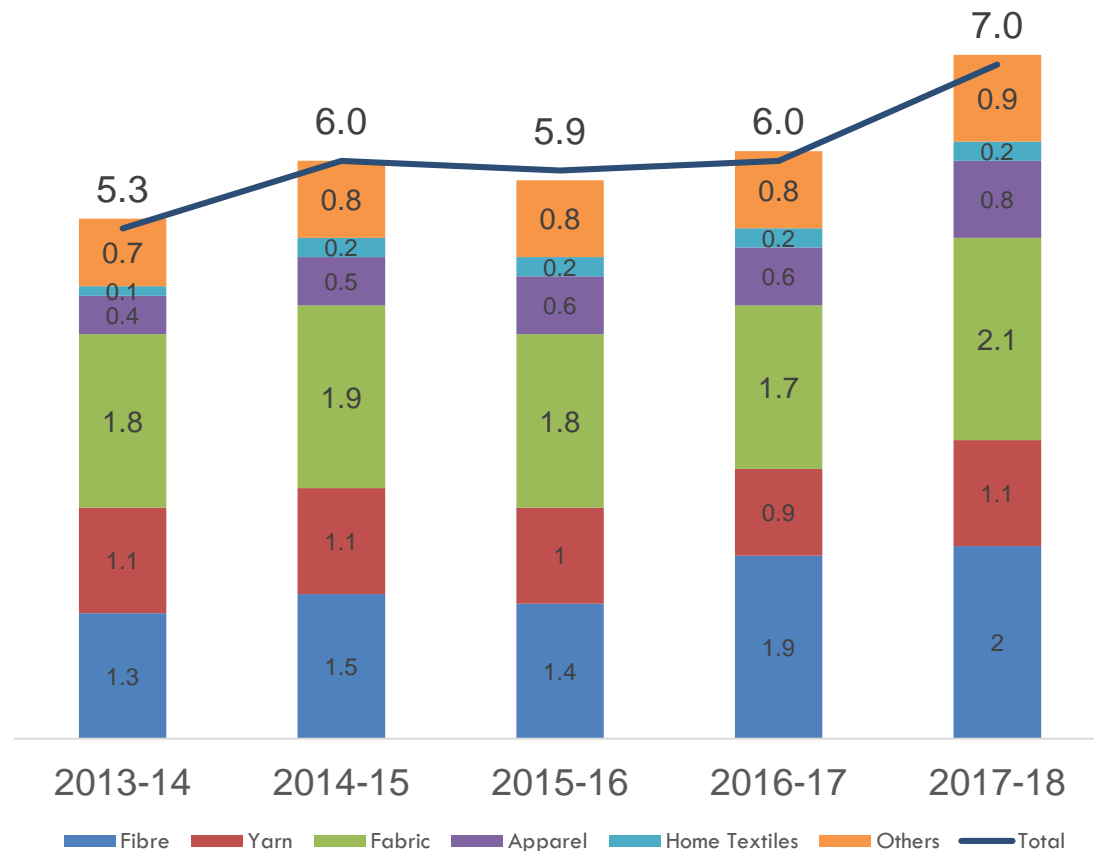


India's Top Markets (2017-18)

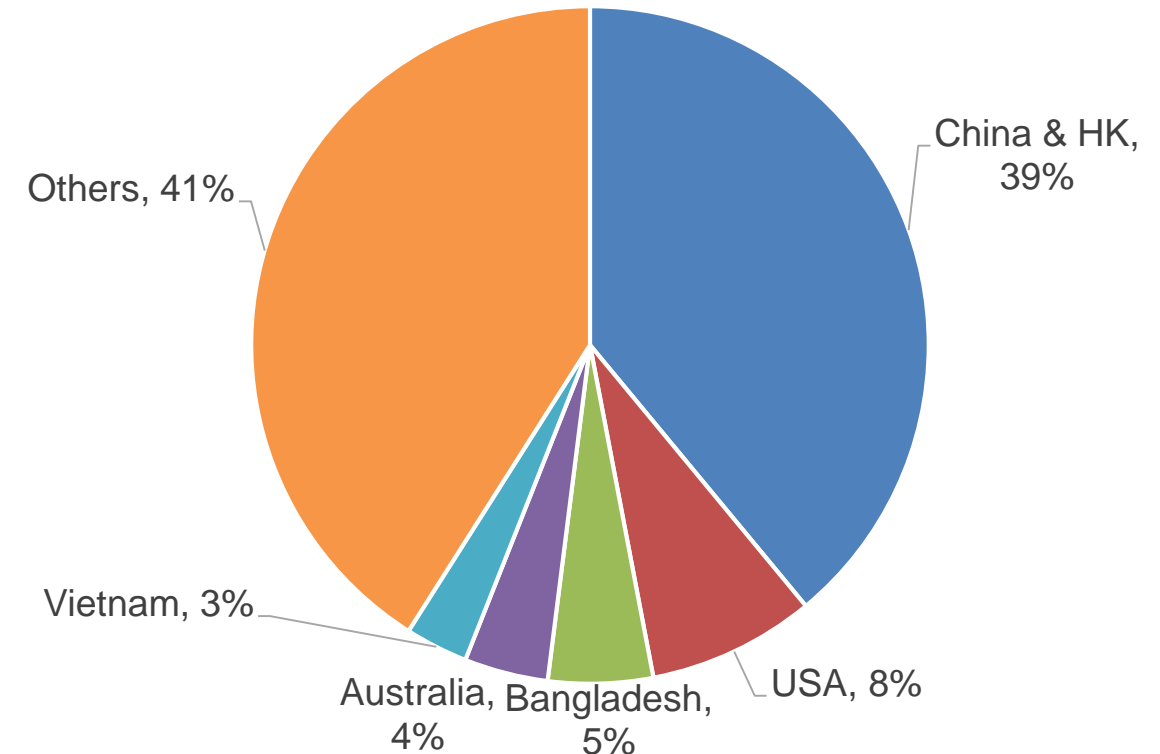


India's Textile and Apparel Imports

Indian Textile & Apparel Imports (in US\$ Bn.)



India's Top Suppliers (2017-18)



Cotton Fibre

Key Statistics

State	Area (In Million Hectares)	Production (In Million bales of 170 kgs)	Yield (kgs/hectare)
Punjab	0.29	1.15	672
Haryana	0.67	2.25	572
Rajasthan	0.58	2.2	640
NORTHERN ZONE	1.54	5.6	617
Gujarat	2.62	10.4	674
Maharashtra	4.21	8.5	343
MP	0.6	2.05	578
CENTRAL ZONE	7.43	20.95	479
Telangana	1.9	5.5	493
Andhra Pradesh	0.64	2.05	541
Karnataka	0.55	1.8	560
Tamilnadu	0.19	0.55	505
SOUTHERN ZONE	3.27	9.9	514
Orissa	0.15	0.35	410
Others	0.05	0.2	680
TOTAL	12.4	37.0	505

- India is the largest producer of cotton in the world. However, the cotton sector of India faces certain challenges:
 - Cotton yield much lower than major cotton producing nations
 - High level of cotton contamination
 - High moisture content in seed cotton
 - No bale tagging system- cotton statistics not updated
 - Low gin-out ratio (29-33%)
 - Imports of approx. 15 lakh bales of cotton (30% is Extra Long Staple cotton)

Manmade Staple Fibre & Filament Yarn

Production of Manmade Staple Fibre

The production of man-made staple fibres was 1,319 mn. kg in 2017-18. It has seen a minuscule change over the last five years.

Values in Mn. Kg

Year	2013-14	2014-15	2015-16	2016-17	2017-18 (P)	CAGR
Viscose	361	365	342	365	370	1%
Polyester	846	882	894	899	852	0.2%
Acrylic	96	93	107	96	93	-0.8%
Others	4	5	5	4	4	0%
Total	1,307	1,345	1,348	1,364	1,319	0.2%

Production of Manmade Filament Yarn

The production of filament yarn was 1,187 mn. kg in 2017-18. It has declined at a CAGR of 2% in the last five years.

Values in Mn. Kg

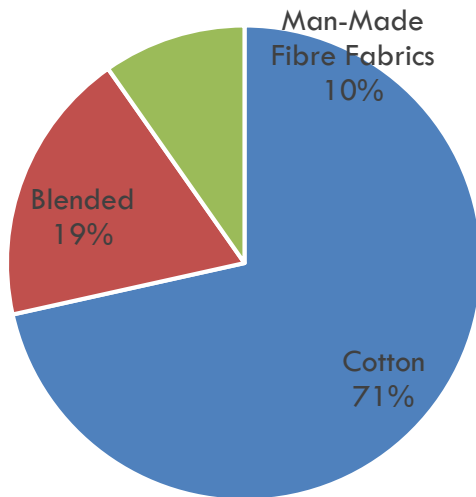
Year	2013-14	2014-15	2015-16	2016-17	2017-18 (P)	CAGR
Viscose	44	44	45	46	47	2%
Polyester	1,212	1,158	1,069	1,060	1,090	-3%
Nylon	24	33	37	41	39	13%
Polypropylene	13	13	13	11	11	-4%
Total	1,293	1,248	1,164	1,159	1,187	-2%

Spinning Sector

Production of Spun Yarn

The total production of spun yarn in India stood is estimated at 5,676 mn. kg in 2017-18.

**Break-up of Spun Yarn Production
(2017-18)**



- Most modern sector of Indian textile industry and globally competitive
- 2nd largest producer of spun yarn after China
- Acknowledged as world class supplier of cotton yarn in terms of varieties, volumes, quality and price
- Capabilities to produces all kind of spun yarn including blended and MMF based yarns
- Cotton yarn production stagnant over last 2-3 years and exports are declining
- Losing China market to Vietnam due to lack of level playing field

Weaving Sector

Installed Capacities

India's Weaving Sector comprises of 3 distinct sectors viz. organized mills, power loom and handloom sector.

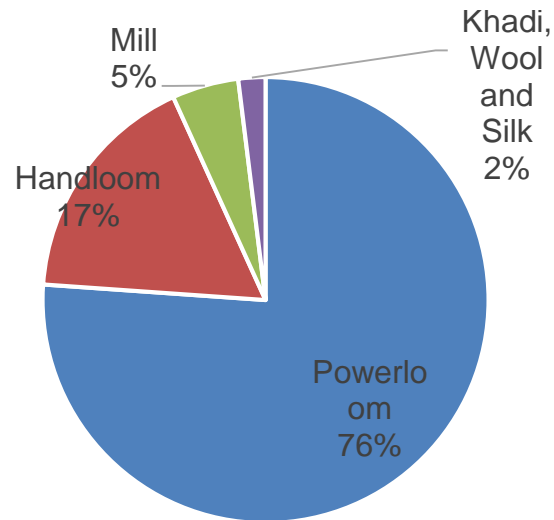
Installed Capacities (2016-17)

Item	Units
Looms (Organised Sector)	69,000
Powerloom	2.86 mn.
Handloom	2.38 mn.

Production

The total production of woven fabric in India stood at approx. 47 bn. sqm in 2017-18.

Break-up of Woven Fabric Production (2016-17)



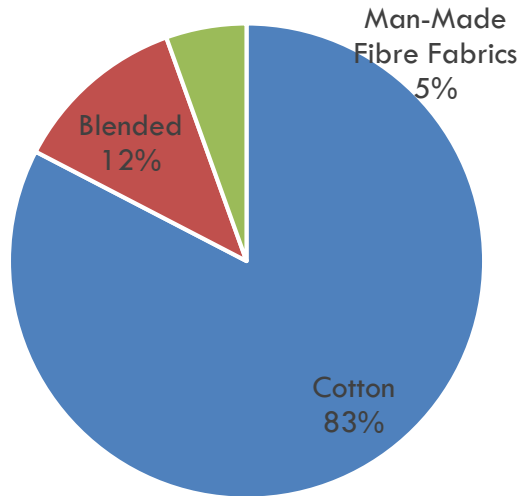
- There has been considerable increase in the shuttle-less looms in the country due to government liberal policy for power loom sector.
- The mill sector share in woven fabric production is very low (~5%).
- De-centralised Power loom Sector constitutes 76% of the total woven fabric production.
- Exports of fabric in 2017-18 was US\$ 4.6 bn.

Knitting Sector

Production

Knitted fabric production in India is estimated at 17.5 bn. sqm in 2017-18 which is ~27% of the total fabric production.

Break-up of Knitted Fabric Production (2017-18)



Source: Office of Textile Commissioner

- Predominately decentralized sector
- Most of the knitting units are of small to medium scale
- India's share in world export of knit fabric is miniscule at about 1% against Chinas' share of more than 50% of world trade
- Small numbers of large knitting units having knit fabric dyeing facilities in house in the country
- Being neighbor to Bangladesh, which depends on fabric imports & predominantly exports knit garments, India's fabric exports can be boosted with capacity expansion and additional infrastructure
- Needs same support as powerloom sector

Fabric Dyeing and Processing

- This is the key area of production which determines the strength of the textile value chain as it convert grieger fabric into fashion fabric for ready made garment exports and made-ups exports.
- **Critical segment where India lags behind**
- Very few large composite units in the country with world class technology and requisite skills to produce fabrics, which meet the approval of the international buying houses.
- Number of Independent Process Houses(IPH), who also compete in the market and have developed capabilities and may come up in future.
- In comparison to China, this sector lagged much more and suffers disadvantage compare to Chinese fabric cost. This is mainly due to embedded taxes/levies, which are estimated about 5% of the sale value of processed fabric.

Garment Sector

- Highly fragmented and unorganized
- 90% industry is in SME segment
- There are more than 71,000 garmenting units which are spread majorly across 12 states.
- Out of 12 states, top 4 states accounts for about 80% of total garment manufacturing units.
- Level of productivity is low
- Disadvantage of FTA vis-à-vis its competitors such as Vietnam, Bangladesh, Sri Lanka and Myanmar.

State-wise distribution of manufacturing units

S. No	State	No. of Units	Major Cities
1	Delhi NCR	23,155	Delhi, Noida, Gurgaon
2	Maharashtra	13,999	Mumbai, Thane, Sangli
3	West Bengal	10,870	Kolkata, Nadia, North & South 24 Parganas
4	Tamil Nadu	8,554	Tirupur, Erode, Chennai
5	Punjab	4,754	Ludhiana
6	Uttar Pradesh	3,272	Kanpur
7	Gujarat	2,376	Ahmedabad
8	Karnataka	1,636	Bangalore, Bellary
9	Madhya Pradesh	969	Indore, Dhar
10	Andhra Pradesh	653	Anantapur
11	Rajasthan	455	Jaipur
12	Haryana	398	Panipat
	Total	71,091	

Source: Office of Textile Commissioner

Technical Textiles

- Technical textiles are defined as textile materials and products used primarily for their technical performance and functional properties. Technical textiles have been classified into 12 segments based on their applications

Segmentation of Indian Technical Textiles Sector



AGROTECH (US\$ 235 mn.)
Agriculture, horticulture and forestry



BUILDTECH (US\$ 665 mn.)
Property and building products



CLOTHTECH (US\$ 1,185 mn.)
Shoes and clothing



GEOTECH (US\$ 185 mn.)
Geotextiles, civil engineering



HOMETECH (US\$ 1,765 mn.)
Furniture, interior decoration, upholstery, household textiles, flooring



INDUTECH (US\$ 1,910 mn.)
Filters, cleaning and other industrial applications



MEDTECH (US\$ 750 mn.)
Medical, health and hygiene



MOBILTECH (US\$ 1,665 mn.)
Automobile, naval, rail and aerospace



OEKOTECH (US\$ 30 mn.)
Environmental protection



PACKTECH (US\$ 7,030 mn.)
Packaging



PROTECH (US\$ 455 mn.)
Personal and property protection and security



SPORTECH (US\$ 1,035 mn.)
Sport and leisure

India's Product Strength and Weakness

	Strength	Weakness
Spun Yarn	Cotton & Cotton Blended Yarn	Viscose Yarn, Blended Yarn, Spandex Yarn and Specialty Yarn
Filament	Polyester Texturized Yarn and Partially Oriented Yarn	Nylon, High Tenacity Yarn, Functional Filament Yarn
Fabric	Woven – Cotton & Blended	Laminated & Coated Fabric, Knits & Non Wovens
Apparel	Women's Suits & Dresses, Men's Shirts, Babies' Cotton Garments and T-shirts	Intimate Wear, Sportswear, Outerwear & Winter Wear and Western suits,
Technical textiles	Packtech (Sacks and Bags)	High-end value added Technical Textiles e.g. Geotextiles, Industrial Textiles, Filters, Protective Wear, etc.

*India is competitive in manufacturing of **conventional commodity products** both in terms of cost as well as quality but lacks competitiveness in **functional, specialty products**.*

GST Structure across the Indian Textile Value Chain

Particulars	Rate
Fibre	
Silk and Jute	0%
Cotton	5%
Manmade Fiber	18%
Yarn	
MMF Yarn	12%
Others	5%
Fabric	5%
Apparel & Made-ups	
Priced below Rs. 1000	5%
Priced above Rs. 1000	12%

Dismal Exports Post GST

Category-wise Exports post GST (Values in US\$ Mn.)

Category	July 16- Jun 17	July 17- Jun 18	% growth		July 17- Nov 17	July 18- Nov 19	% growth
Fiber	2,707	3,014	11%		718	958	34%
Filament	1,108	1,312	18%		503	540	7%
Yarn	4,024	4,687	16%		1,780	1,976	11%
Fabric	4,524	4,581	1%		1,877	1,937	3%
Apparel	17,904	15,860	-11%		6,143	5,936	-3%
Home Textiles	5,153	5,201	1%		2,149	2,329	8%
Others	1,762	1,976	12%		816	848	4%
Total	37,182	36,631	-1%		13,987	14,525	4%

Data Source: DGCI&S

Figures in the parenthesis indicate the share of a particular category in total textile and apparel imports

Continuous Increase in Imports Post GST

Category-wise Imports post GST (Values in US\$ Mn.)

Category	July 16- Jun 17	July 17- Jun 18	% growth		July 17- Nov 17	July 18- Nov 19	% growth
Fiber	2,118	1,869	-12%		892	709	-21%
Filament	569	649	14%		264	299	13%
Yarn	342	447	30%		170	169	0%
Fabric	1,966	2,394	22%		936	1,017	9%
Apparel	612	829	35%		334	549	64%
Home Textiles	253	294	16%		150	152	1%
Others	551	639	16%		251	292	16%
Total	6,411	7,120	11%		2,998	3,188	6%

Data Source: DGCI&S

Figures in the parenthesis indicate the share of a particular category in total textile and apparel imports

Big Threat from Imports

- Pre-GST, import of textile products were attracting BCD plus CVD and SAD. However, post-GST, CVD and SAD were withdrawn and IGST was introduced.
- Post GST the effective import duties have come down steeply, thus, making imports cheaper for the domestic industry by 15-20%.
- This change in import duties of textile products has adversely affected the entire textile value chain resulting in increase in imports from competing countries like China, Indonesia, Thailand, etc.
- In case of FTAs, the situation is worse, as we have NIL protection.
- FTA nations like Bangladesh/Sri Lanka also act as a route for other country products duty free (as no rule of origin) in India.
- Take appropriate measures/safeguards for restricting textiles and apparels imports in India
 - ✓ SAFTA and other FTA agreement to be amended for Rule of Origin
 - ✓ Increase import duty to 20% as done selectively for few fabric products last year
 - ✓ Cross subsidy cost in electricity, interest, hank yarn obligation need to be removed

Key Issues/ Recommendations

Cotton Fibre

- Focus on improving productivity - TMC II (Technology Mission on Cotton) may be launched at the earliest.
- CCI Role to be more sharply defined & Selling Policy to be transparent - User industry representation should be there.

Manmade Fibre

- Reduction of GST on Manmade Fibres from 18% to 12%

Key Issues/ Recommendations

Cotton Yarn

- Export benefits such as MEIS is provided to every other segment in the textile value chain including MMF Spun Yarn, while Cotton Yarn was not considered.
- Embedded Taxes (Central & State Taxes and Levies) not refunded by way of drawback and exogenous costs like logistics, infrastructural costs, etc. account for about 6% for Spun Yarn.
- It is requested to extend MEIS to Cotton Yarn and ROSL scheme should cover Cotton Yarn.
- Hank Yarn Obligation (HYO) provision compel the textile mills to produce a minimum of 40% of the Yarn as Hank Yarn that is deterrent to growth and threat to their economic viability. HYO may be reduced from 40% to 10% to enable Ease of Doing Business for the entire cotton textile industry. Estimates show that Hank Yarn requirement is not more than 10% today.
- Negotiate to reduce import duty in China to 0%, equivalent to Vietnam.

Key Issues/ Recommendations

Fabric

- Increase MEIS from 2% to 4% for Fabric in line with the MEIS given for Made-ups/Apparel.
- Unadjusted taxes/levies account about 7% of processed fabric cost, which makes them globally in-competitive.
- Allow ROSCL(both State and Centre) for fabrics export and enable easier and faster refunds (GST, ROSL, Drawback).
- Remove the inverted GST duty structure on Fabrics.
- Negotiate 0% import duty with China, equivalent to Vietnam, Pakistan and Indonesia.

Key Issues/ Recommendations

Made-ups/Garments

- Earlier in the pre-GST era, garments exports have been fetching export incentives to the extent of 11.1% of its FOB value. (DDB @ 7.6% + ROSL @ 3.5% + Service Tax refund on forwarding cost @ .21%) – post GST Era incentives are approximately down by 2-2.5%.
- Unadjusted taxes/levies account for more than 6% for made-ups
- Pillai Committee was formed to study unrebated State & Central Levies, post GST – need to implement its suggestions.
- Export business being very competitive, export incentives have always been considered and offset in the pricing. It leaves a very thin margin to survive upon.
- Neighbouring countries such as Bangladesh, Sri Lanka and Pakistan enjoy duty-free exports to major markets, giving them an advantage of more than 10% in comparison with us.
- Earlier all the major cost components of madeups/garment manufacturing were exempted (fabric, knitting, weaving, printing, processing etc) from input taxes, however these have now started attracting tax in GST regime.
- Reduction in the export incentives and GST being applicable have adversely affected not only existing business in hand but also the negotiations for future orders.

Key Issues/ Recommendations

MMF Sector

- MMF Textiles Export have stagnated at around \$ 6 bn. over the last 4/5 years.
- To grow these manifold, we must endeavour to increase exports of MMF Fabric, Made ups and Garments.
- India has lagged behind due to expensive Man Made Fibres in India.
- The inverted duty structure in case of MMF textiles, leads to working capital blockage and cost increase due to refund disallowance of certain inputs like Capital Goods etc.
- Reduce GST on Manmade Fibres from 18% to 12% & MMF yarn from 12% to 5%.
- Anti-dumping duty on Purified Terephthalic Acid (PTA) may not be extended as it increases the cost of Polyester Staple Fibre (PSF) and makes whole industry uncompetitive.
- At the policy level a mission mode approach for enhancing the investment, production, product development, R&D and consumption of MMF based textiles can be launched.
- Need to attract investments from MMF strong countries like South Korea, Taiwan, Japan & China.

Key Issues/ Recommendations

MMF Sector

- Ensure availability of raw materials for the Man Made Fibre Textile Value chain – the downstream industry at competitive prices;
- Discontinuation of anti-dumping duty on PTA in the recently initiated sunset review;
- Reduction of GST on Synthetic Fibre (MMF) having HS Code 5503 2000 from 18% to 12%;
- Reduction of GST on MMF raw material viz PTA (HS Code 29173600) and MEG (HS Code 29053100) from 18% to 12%;
- Enhancement of drawback duty rate on Polyester Fibre (HS Code 5503 2000);
- 100% refund of all duties and taxes incurred directly/indirectly in production of exports;
- Implementation of Fibre Neutral Policy;

Key Issues/ Recommendations

- In case, anti-dumping duty is there on raw materials, consider the same while calculating drawback rates, to ensure domestic value-added manufacturer is not at a disadvantage to international competitor who has access to cheaper raw materials.
- Increase import duty on MMF based spun yarn and Fabrics 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
- At the policy level a mission mode approach for enhancing the investment, production, product development, R&D and consumption of MMF based textiles can be launched.
- Need to attract investments from MMF strong countries like South Korea, Taiwan, Japan & China.

Key Issues/ Recommendations

Achieve scale through greenfield plug-and-play Mega - Weaving and Apparel/Made-up Clusters

- Minimum 1,000 acres each, in 2 States having:
 - ✓ location advantage
 - ✓ availability of water
 - ✓ low labor cost
- These may provide:
 - ✓ Central Government to fund infrastructure development for common facilities
 - ✓ Ease of doing business – all prior govt. approvals in place, single window clearance
 - ✓ Bonded warehouse, Customs and Clearing
 - ✓ Facilities for housing

Key Issues/ Recommendations

■ Technology Up-gradation Fund Scheme (TUFS)

■ Committed liability & non-release of pending TUFS subsidies

- ✓ Number of affected cases - 9,303 & subsidy amount blocked - Rs. 6,000 crores
- ✓ NABCONS entrusted to conduct the study on 9th January 2017. Till date they could not submit report.
- ✓ CITI Recommendations
 - MoT may develop a system & advise financial institutions to upload on-line the committed liabilities and final claims.
 - Internal committee chaired by Secretary (Textiles), selected from IMSC could be formed to oversee the processing of on-line data by the Office of Textile Commissioner.
 - MoT may list the pending cases on daily basis and place on website so that the mills can follow up

■ Poor performance of Amended TUFS

- ✓ Around 5,500 UIDs issued in last 2 years covering the a project cost around Rs.21,000 crores involving around Rs.1,600 crores subsidy.
- ✓ But the disbursement under the scheme is less than Rs.3 crore covering only 30 beneficiaries.

Key Issues/ Recommendations

- **Technology Upgradation Fund Scheme (TUFS)- cont...**

- ✓ ATUFS may be amended by removing the cap so that the units which have repaid back the loan taken under TUFS scheme greater than Rs. 30 crores may be made eligible.

- **GST Issues**

- ✓ Streamline certain unresolved textile related issues
- ✓ Expedite refunds for inverted duty structure and correct the refund format (RFD01)
- ✓ Simplify returns for MSME segment

- **Others**

- ✓ Should be exempted from all cross subsidies like electricity, interest, hank yarn etc as it has to compete in exports and domestic (via imports) with global players
- ✓ 3% Interest Equalization Scheme should be extended to the merchant exporters
- ✓ Alternative WTO compliant scheme for MEIS and other export incentives
- ✓ FTA with major T&C importing countries namely EU and USA be put on fast track
- ✓ Negotiations with China to give duty free access to Indian cotton textiles as India's trade deficit with China is high and increasing
- ✓ Advisory Industry Council should be created with knowledgeable industry people (non Association people)
- ✓ Skill development schemes to be allocated to textiles on priority

Possible Impacts of the Changes Recommended



Employment generation

1 crore invested in textiles can create 30-60 jobs, depending on the stage of production



Increase in farmers income

As a result of improved cotton productivity



Foreign exchange earnings



Create inherent competitive strength



THANK YOU

Annexures

Incidences of Taxes not Set off at Yarn Stage

List of Central Embedded taxes to be considered for Drawback

Sl. No.	Description	Ratio on Annual FOB value
1	Inverted duty structure on MMF without any credit in GST regime	0.00%
2	Embedded taxes in Farm Sector (incl. power and fuel)	1.04%
3	Excise duties on petroleum products	0.24%
4	Embedded taxes due to purchases from unregistered dealers	0.01%
5	Embedded GST taxes on inputs into exempt/ excluded sectors	0.75%
	- Blocked inputs taxes on Petroleum sector	0.15%
	- Electricity - (Blockage due to Coal used in Electricity)	0.07%
	- Power & Equipment	0.06%
	- Real estate - (Blockage due to GST taxes on construction inputs)	0.29%
	- Transport (tyres & tubes, spare parts, repairs & maintenance)	0.18%
6	BCD on Import of raw material - Cotton	1.20%
	Cotton yarn (total blocked)	3.24%
	Cotton yarn (DBK refund)	1.70%
	Cotton yarn (Net Blocked Drawback)	1.54%

List of State embedded taxes to be considered in ROSL

Sl. No.	Description	Ratio on Annual FOB value
1	Inverted duty structure on MMF without any credit in GST regime	0.00%
	Embedded taxes in Farm Sector - (GST Taxes)	0.52%
2	Farm sector (Power & Fuel) - (Non-GST taxes)	0.52%
3	State VAT on petroleum products	0.47%
4	Non-GST State taxes (Mandi tax + Power cross subsidy, Stamp duties, Electricity duties)	1.39%
5	Embedded taxes due to purchases from unregistered dealers	0.01%
6	Embedded GST taxes on inputs into exempt/ excluded sectors	0.75%
	-Blocked inputs taxes on Petroleum sector	0.15%
	- Electricity - (Blockage due to Coal used in Electricity)	0.07%
	- Power equipment	0.06%
	- Real estate - (Blockage due to GST taxes on construction inputs)	0.29%
	- Transport (tyres & tubes, spare parts, repairs & maintenance)	0.18%
	Cotton yarn (total blocked)	3.66%
	ROSL REFUND- Average	0.00%
	Cotton yarn (net blocked ROSL)	3.66%

Incidences of Taxes not Set off at Processed Fabric Stage

List of Central Embedded Taxes to be considered for Drawback

Sl. No.	Description	Post-GST (Proposed)
1	Inverted duty structure on MMF without any credit in GST regime	0.00%
2	Embedded taxes in Farm Sector (incl. power and fuel)	1.04%
3	Excise duties on petroleum products	0.64%
4	Embedded taxes due to purchases from unregistered dealers	0.01%
5	Embedded GST taxes on inputs into exempt/ excluded sectors	0.75%
	- Blocked inputs taxes on Petroleum sector	0.15%
	- Electricity - (Blockage due to Coal used in Electricity)	0.07%
	- Power & Equipment	0.06%
	- Real estate - (Blockage due to GST taxes on construction inputs)	0.29%
	- Transport (tyres & tubes, spare parts, repairs & maintenance)	0.18%
6	BCD on Import of raw material - Cotton	1.30%
	MMF	1.50%
Total Blocked	Cotton Fabric	3.74%
	MMF Fabric	3.94%
DBK REFUND	Cotton Fabric	1.60%
	MMF Fabric	1.80%
Net Blocked Drawback	Cotton Fabric	2.14%
	MMF Fabric	2.14%

List of State Embedded Taxes to be considered in ROSL

Sl. No.	Description	Post-GST (Proposed)
1	Inverted duty structure on MMF without any credit in GST regime [i]	0.00%
	Embedded taxes in Farm Sector - (GST Taxes) [ii]	0.52%
2	Farm sector (Power & Fuel) - (Non-GST taxes) [iii]	0.52%
3	State VAT on petroleum products	0.36%
4	Non-GST State taxes (Mandi tax + Power cross subsidy (0.5%), Stamp duties (0.04%, Electricity duties (1.77%))	2.31%
5	Embedded taxes due to purchases from unregistered dealers	0.01%
6	Embedded GST taxes on inputs into exempt/ excluded sectors	0.75%
	- Blocked inputs taxes on Petroleum sector [v]	0.15%
	- Electricity - (Blockage due to Coal used in Electricity) [vi]	0.07%
	- Power & Equipment -	0.06%
	- Real estate - (Blockage due to GST taxes on construction inputs) [vii]	0.29%
	- Transport (tyres & tubes, spare parts, repairs & maintenance) [viii]	0.18%
Total Blocked	Cotton Fabrics	4.47%
	MMF Fabrics	4.47%
	ROSL REFUND- Average	0.00%
Net Blocked ROSL	Cotton Fabrics	4.47%
	MMF Fabrics	4.47%

Embedded Taxes- Made-ups

Sr No in Table	Description	Percentage of FOB Value	
		State	Central
1	Cost of direct inputs and capital goods used per unit of cotton produced along with tax incidence	0.41%	0.40%
2	Quantum of Fuel used in per unit of Cotton produced	0.67%	0.90%
3	- Petroleum	0.01%	0.03%
4	- Electricity (blockage due to coal used in electricity)	0.20%	0.75%
5	Transport - Tyres and tubes, spare parts and maintenance	0.02%	0.02%
6	Taxes on petroleum products used as fuel in transportation	0.43%	0.55%
7	Other cost in power generation on which taxes are embedded	0.11%	0.11%
8	Embedded taxes on expenses other than tyres, tubes, repairs in road transportation	0.52%	0.29%
9	Embedded taxes as part of Packing material as well as Dyes and Chemicals	0.06%	0.11%
10	Taxes on Natural gas for which no credit is available	0.35%	0.30%
11	Embedded taxes in production of Natural Gas	0.03%	0.12%
12	Blocked GST on building and real estate supplies, factories, warehouses, employee residences, office facilities, rent-a cab, purchase of vehicles, food and beverages, etc.	0.08%	0.08%
	Total- A	2.89%	3.67%
	Existing rate available under ROSL for Cotton made-ups	2.20%	0.00%
	Requested Rate	5.09%	3.67%