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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures
for the period 4th April to 5th June 2023

Shri. Gnanasekar Thiagarajan is currently the head of Commtrendz Research, an organization which, specializes in commodity research and advisory to market participants in India and overseas. He works closely with mostly Agri-Business, base metals and precious metals business corporates in India and across the globe helping them in managing their commodity and currency price risk. Further to his completing a post graduate in software engineering, he did a long stint with DowJones, promoters of "The Wall Street Journal" and had the opportunity of closely working with some of the legends in Technical Analysis history in the U.S.

His columns in The Hindu Business Line have won accolades in the international markets. He also writes a fortnightly column on a blog site for The Economic Times on Global commodities and Forex markets. He

is a part an elite team of experts for moneycontrol.com in providing market insights. He was awarded "The Best Market Analyst", for the category- Commodity markets- Bullion, by then President of India, Mr. Pranab Mukherji.

EXPERT'S Column



Shri. Gnanasekar Thiagarajan
Director, Commtrendz Research

He is a consultant and advisory board member for leading corporates and commodity exchanges in India and overseas. He is regularly invited by television channels including CNBC and ET NOW and Newswires like Reuters and Bloomberg, to opine on the commodity and forex markets. He has conducted training sessions for

markets participants at BSE, NSE, MCX and IIM Bangalore and conducted many internal workshops for corporates exposed to commodity price risk. He has also done several training sessions for investors all over the country and is also a regular speaker at various conferences in India and abroad.

Domestic Markets

• The domestic prices ended lower, erasing gains as macroeconomic sentiment waned again. Prices have been under pressure due to recent weakness in international prices and mildly increasing arrivals. Cotton arrivals in the country was above 1 lakh bales per day in March. While cotton prices have recently cooled to Rs. 61,000 a candy (356kg), about 45% down from their peak

of Rs 1.1 lakh, there is no silver lining for the textile industry with cotton from India still being expensive, compared to other producing countries like China, Vietnam and Bangladesh.

• FAS Mumbai estimates marketing year (MY) 2023/24 India cotton production at 25.5 million 480 lb. bales on 12.4 million hectares area planted, a decrease from the previous year

due to the expectation that farmers will shift cotton acreage to higher return crops such as oilseeds and pulses. Mill consumption is estimated at 23.5 million 480 lb. bales, as yarn and textile demand weakens in major international markets. Higher exportable supplies, at 2.8 million 480 lb. bales, indicates that export prospects are better than last year, while imports will reduce significantly due to tighter global supplies.

- According to the Indian Meteorological Department (IMD), the March to May 2023 seasonal forecast suggests that below normal rainfall is likely over many areas of Northwest and West Central India, and some parts of Northeast and East India. Additionally, there is an enhanced probability of heatwave during March to May in many regions of Central and adjoining Northwest India. Although cotton is tolerant of high temperatures and drought, the severity and length of the heat can lead to yield loss without adequate moisture.

International Markets

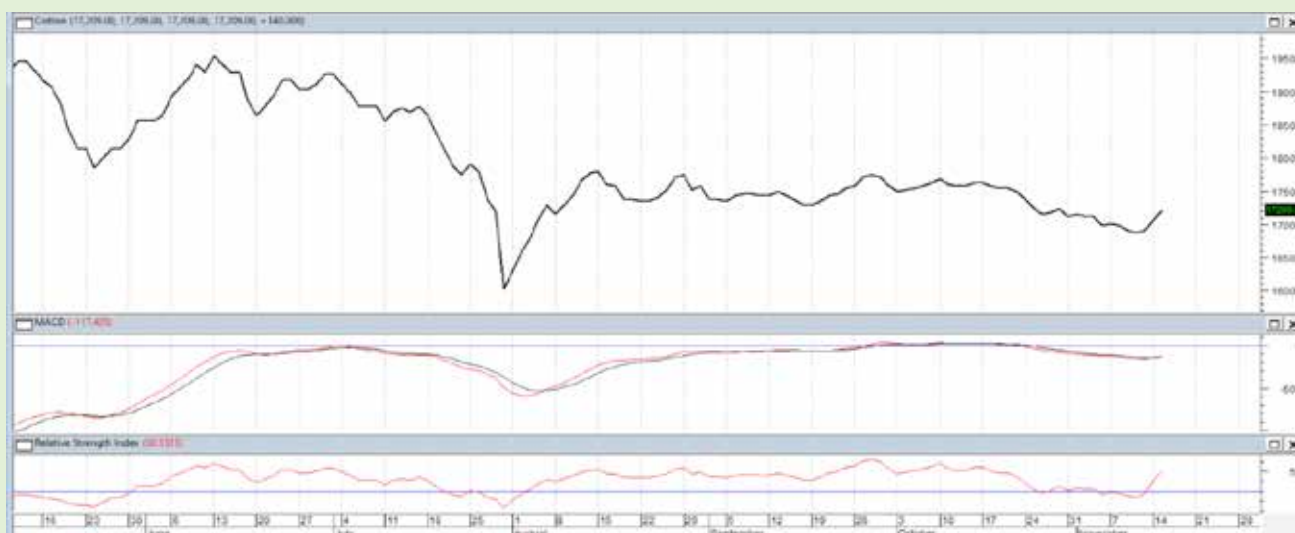
- ICE cotton futures fell to the lowest in a week on Tuesday, as risk appetite weakened in the wider financial markets, although a weaker dollar limited loss. Prices rose to 83.00 cents earlier in the session, before touching their lowest since March 28. The stock markets are down, so broader external pressure is lowering prices. Weighing on the sentiment, oil prices fell about 0.4%, while the U.S. stock indexes turned negative.

- Elsewhere, data overnight showed U.S. job openings dropped to their lowest level in nearly two years in February, suggesting that labour market conditions were finally easing. Job openings, a measure of labour demand, were down 632,000 to 9.9 million on the last day of February, the monthly Job Openings and Labour Turnover Survey, or JOLTS report, showed.

- Meanwhile the insurance and input costs are going up, which again adds stress to the industry. Due to an increase in insurance claims over the past few years, premiums are going up as high as 30-60%, which makes the industry unviable in challenging times. Irrigated acres may permanently switch to food crops such as corn and soya which is also used as bio-diesel which might support prices going forward.

Shankar 6 Guj ICS Price Trend

As mentioned in the previous update, we expected prices to bottom around 17,000/qtl and gradually inch higher towards 20,000 levels from here, where strong resistances are seen. A consolidation is underway presently. Some signs of bottom are visible and the downside from here looking extremely limited. However, it has spent a whole month in that price range building itself for the next move which is mostly higher. Once above here, it could even start rising towards 22,000 levels subsequently. Though prices can drop again, the recent bottom at 17,500 looks intact and unlikely to test that once again. Any unexpected fall below here could be disastrous.



MCX Cotton Candy April: The selling pressure saw prices testing 60,400-500/candy before making a double bottom and rising from there. Key supports are in the 61,500-62,000 range now. Ideally, it is expected to hold and push higher towards 65,000 levels on the upside. However, any unexpected fall below 61,000 could caution about more downside in the offering, and it would start edging lower immediately. However, major weakness from present levels looks unlikely.



ICE May 23 Cotton futures

The quarterly and monthly charts show negative momentum and hence a mild downward inclination. A push above 89.00c in April would most probably change the picture. The price action in the monthly and fortnightly charts favour such a rise, tilting the scale mildly in favour of the upside. Supports are located near 79.50/79.00c area followed by 77.00/76.50c levels. Dips could most probably be cushioned near any of these supports for a rise past 89, improving the scope for extending the gains to 94.00. It must fall below 73.25 to indicate weakening further. Weekly chart shows the possible start of an up move that could cross above a nearer resistance at 85.50. Such a move would strengthen the scope for an extension to 88.50/89.00. Supports are around 79.50/79.25. Any unexpected fall below 78.50 would erase the mildly positive signs that are present now.



As mentioned before, using ICE futures and Options for mitigating prices risk especially when prices are at elevated levels helps cushion the fall and manage high priced inventory of cotton and yarn is ideal for the industry, but to take that leap of faith is a humungous task for this industry where raw material price moves makes or break the profit margins. Hedging high priced inventories in a falling market could help offset some losses from the recent fall in cotton prices. Current bottoming levels could be ideal opportunities to Buy Call options in ICE to take advantage of a possible rise in the near-term. To protect against falling inventory cost one can take Put options in ICE around resistance levels by paying a premium, where losses will be minimum and profits unlimited. MCX Candy contracts recent launched should be a good testing ground for mills and exporters desirous of hedging their price risk in ICE futures and options.

Conclusion

The domestic prices still seem to have found a solid bottom near 60,000-61,000 per candy for now, as it seems to be discounting negative fundamentals of poor demand. But it is failing to sustain at higher prices also, which makes us believe there is a 25% chance that it could take a shy at 55,000-56,000 before bottoming out completely. More negative factors continue to weigh on domestic markets by way of arrivals and weak demand. But price always has a ability to discount present weakness and look ahead. This is what is likely happening in the local prices. Strong resistance is presently noticed in the 65000-67,000 per candy levels and may find it tough to cross that in the near-term.

Important support in ICE is at \$79,80c followed by \$76-77c on the downside and in that zone, prices could find a lot of buying interest again. The domestic prices are still at mild premium to ICE. It has

corrected from peaks. We expect prices to consolidate and gradually edge higher again. Though price could come under pressure from time to time, it is important to keep an eye on the speculative fund activity and the dollar that could turn the picture for cotton prices. Data from the Commodity Futures Trading Commission (CFTC) on Saturday showed speculators trimmed their net short position on cotton futures by 2,559 contracts to 28,338 in the week to March 28. The international price indicates that it is in the process of a consolidation before beginning an up move again.

COTTON NO. 2 - ICE FUTURES U.S.							AS OF: 2023-03-28		
FUTURES ONLY POSITIONS									
Code: 033661									
Non-Commercial			Commercial		Total		Non-Reportable		
Long	Short	Spreads	Long	Short	Long	Short	Long	Short	
(CONTRACTS OF 50,000 POUNDS)									
58,893	61,824	39,156	99,934	87,944	188,988	187,114	11,878	12,939	Open Interest: 289,853
Changes									
-551	-2,194	64,169	1,893	+2,536	+1,839	+4,843	-453	-2,139	(Change in Open Interest: +1,341)
Percent of Open Interest for Each Category of Traders									
25.4%	30.5%	25.2%	50.0%	44.6%	24.5%	39.5%	5.5%	6.5%	
Number of Traders in Each Category									
106	85	88	73	64	218	202			(Total Traders: 281)

For Shankar 6 Guj ICS supports are seen at 60,500 per candy and for ICE May cotton futures at \$79-80c followed by \$77c. The domestic technical picture looks neutral to mildly bearish. Therefore, we can expect prices to consolidate in a broad range initially absorbing all the negatives and reverse with a mild bullish bias for the local prices and a strongly sharp rise expected in the international markets, as there are some upside breakout signs still visible in ICE futures presently. Any unexpected fall below key supports in ICE could change the picture to neutral.

USDINR Monthly Report: April 2023

Shri. Anil Kumar Bhansali, Head of Treasury, Finrex Treasury Advisors LLP, has a rich experience of Banking and Foreign Exchange for the past 36 years. He was a Chief Dealer with an associate bank of SBI

We expect USDINR to trade within the range of 81.60-83.50 for April 2023

Key triggers

RBI Policy: Next meeting is on 3rd -6th April 2023 and it is anticipated that RBI could raise the interest rates by 25 bps.

Brent Oil Prices: We can expect oil prices to move towards \$87.0/bl+ on supply concerns due to a halt in exports from Iraq's Kurdistan region. However, any escalation in recession fear may hurt oil demand outlook. Then we may see Brent prices reverting back towards \$70.0-67.0/bbl levels.

Chinese Yuan: Chinese Yuan reversed from more than 2-month's low of 6.97 in March. 6.81 is the crucial support below a dip towards 6.75

EXPERT'S Column



Shri. Anil Kumar Bhansali
Head of Treasury,
Finrex Treasury Advisors LLP

is seen. However, breach of the key resistance 6.97 will lead towards 7.08. Any depreciation in Yuan will exert pressure on emerging market currencies which also includes Indian Rupee.

Trade Balance: Due to fall in oil prices we can expect March trade deficit to narrow down further for third straight month towards \$15-16 bn.

FII flows: April being the month of results season and any upbeat outcome may attract FII flows back into the country. Rise in inflows will strengthen the Rupee.

FX Reserves: In March alone, reserves increased by 11.53 bn, as in order to replenish its reserves RBI bought dollars at lower levels. We can once again see reserves to reach \$600 bn mark in coming months. The current level of foreign reserves is enough for around 9-10 months of imports.

(The views expressed in this column is of the author and not that of Cotton Association of India)

Year End Checklist for GST

Shri. Ronak Sandip Jain is a Partner in Jain Advocates, Ahmedabad. He is a practicing advocate of indirect taxes upto the appellate level in Gujarat as well as other states of India. He has been on various committees of the Gujarat sales tax bar association: Member of Law Committee (2015-2016), Member of Website Committee (2015-2016) and Member of EDP representation and Website Committee (2016-2017 and 2019-2020); Member of Refresher Course Committee:-

EXPERT'S Column



Shri. Ronak Jain
Partner, Jain Advocates

The Gujarat Sales Tax Bar Association (2021-2023) and Member of Indirect Tax Task Force:- The Gujarat Chamber Of Commerce And Industry (2022-2023). He is an accredited GST trainer from the National Academy of Customs, Excise & Narcotics, Faridabad. He has delivered lectures on GST at various trade forums, professional associations and also at departmental outreach programmes. He has also participated in various GST discussions in the print and electronic media.

Composition Scheme

Opting into or opting out Composition till 31.03.2023 for FY 2023-2024 for those whose turnovers are below 1.5 crores.

QRMP Scheme

Taxpayers having Turnover below Rs. 5 Crores shall have an option to select the frequency of GST return i.e., opting into / opting out QRMP Scheme filing for FY 2023-2024 till 30.04.2023.

Letter of Undertaking [LUT]

All the exporters or who supplies goods or services to SEZ without payment of GST should apply for LUT in form GST RFD 11 for FY 2023-2024 before 31.03.2023.

E-Invoice

Businesses with an annual aggregate turnover of more than Rs.10 crore, as calculated

in any preceding financial year from 2017-18 up to 2022-23, must begin generating e-invoices from 01.04.2023.

Mandatory of mentioning HSN code in GSTR 1, E way bill and E Invoice as specified below:

Sr. No.	Aggregate Turnover	Digits of HSN Code
1.	Less than or equal to Rs. 5 Crore	4
2.	More than Rs. 5 Crore	6
3.	In case of Export of Goods/Service	8

Invoice Series

A new billing series for FY 2023-2024 W.E.F 01.04.2023 for all supplies including Credit notes, Debit notes, Delivery Challans, Job work, etc. Such series may contain alphabets, numerals & special character "-" and "/" but not exceeding 16 characters.

For Example: - GST/001/23-24, DC/001/23-24, JW/001/23-24, etc.

GST Refund

Refund can be applied within 2 years from the date of filing of GSTR 3B of respective month. If pending, do file refund application.



Self-Invoicing under Reverse Charge Mechanism [RCM]

Maintenance of self-invoice or payment voucher in case of RCM tax. This seems to be an ignored act where in, it is required to issue self-invoices and payment vouchers.

Expenses to check in RCM:

- Renting of Residential Property
- Security Service
- Cab renting Service
- Import of Service
- Advocate Service
- Goods Transport Agency [GTA]
- Services from Government
- Sponsorship Expense

If not paid till now then pay in March 2023 return.

Reconcile the Turnover

Prepare and reconcile the turnover as reported in GSTR 1/GSTR 3B with books of accounts for FY 2022-23.

Income need to check on Supply, whether GST paid or not:

- Sale of fixed asset or sale of car
- Rent on Commercial property received
- Freight charged by Supplier on Goods sold
- Commission Income earned
- Purchase return entered as "Sales" and charge GST as an "Outward tax" wrongly.

If any such cases, then rectify such mistakes in March 2023 return

Reconciliation of Outward liability between GSTR 1 and GSTR 3B and books

Compile and reconcile the amount of taxes paid in GSTR 1 and GSTR 3B filed during the FY 2022-23 with books of accounts and pay the tax if there is any shortfall vide filing DRC 03 to avoid the litigation and penalty.

Reconcile the Input Tax Credit [ITC]

- Prepare the yearly reconciliation of ITC accounted in books and ITC availed in GSTR 3B during the FY 2022-23 and reconcile the same with GSTR 2B/2A.

- If transactions are not populated in GSTR 2B/2A, the taxpayer should follow up with suppliers to furnish/report transactions in their

GSTR 1 with payment of taxes in GSTR 3B. Further if ITC has been availed and the transactions not reflected in GSTR 2B then ITC should be reversed.

Things need to be check on ITC side:

- Reversal of ineligible ITC: Identify the ineligible ITC u/r 42,43, etc. (Blocked credit/ ITC on exempt supplies) already availed in GSTR 3B of the FY 2022-23 and reverse/pay the same along with interest thereon to avoid the litigation and demand of interest & penalty in future. Further, note that no interest leviable on reversal of wrongly availed credit but not utilized.

- Reversal of ITC if Payment not done to suppliers within 180 days: Prepare and Review that any payment to suppliers is not pending beyond 180 days from the date of issuance of supplier's invoice to avoid reversal of ITC u/s 16(2).

If any such cases, then rectify such mistakes in March 2023 return

ITC 4 - For Goods sent on Job work

If pending for 22-23 or Earlier year, file As soon as possible.

The frequency of filing the ITC-04 form is as below:

- 1) Turn over exceed 5 Crores Rs. Then file return => Half-yearly
- 2) Turn over below 5 Crores Rs. Then file return => Yearly

Miscellaneous Points

- Register New Branches/Godown, Additional place of Business in the state within 30 days from the date of the documentation.
- Update Aadhaar of Authorised Signatory.
- Accept the TCS Credit received & file the TCS return.
- All registered taxpayers under GST are required to display the GST registration certificate at their place of business and additional place. He is also required to display GSTIN, Trade Name, Address on its name board at its principal place of business and additional place of business as mentioned in its registration certificate.

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UPCOUNTRY SPOT RATES													(Rs./Qtl)	
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]								Spot Rate (Upcountry) 2022-23 Crop March - April 2023						
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	27th	28th	29th	30th	31st	1st	
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	18587 (66100)	18728 (66600)	18784 (66800)		18784 (66800)	18784 (66800)	
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	18728 (66600)	18868 (67100)	18925 (67300)		18925 (67300)	18925 (67300)	
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	12654 (45000)	12710 (45200)	12823 (45600)		12963 (46100)	13076 (46500)	
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	-	-	-	H	-	-	
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	16310 (58000)	16450 (58500)	16563 (58900)		16703 (59400)	16872 (60000)	
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	16281 (57900)	16422 (58400)	16647 (59200)		16788 (59700)	16647 (59200)	
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	-	-	-	O	-	-	
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	16450 (58500)	16591 (59000)	16816 (59800)		16956 (60300)	16816 (59800)	
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	15438 (54900)	15522 (55200)	15522 (55200)		15607 (55500)	15607 (55500)	
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	15832 (56300)	15972 (56800)	16169 (57500)	L	16310 (58000)	16394 (58300)	
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	16731 (59500)	16872 (60000)	17153 (61000)		17294 (61500)	17294 (61500)	
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16197 (57600)	16310 (58000)	16450 (58500)		16591 (59000)	16731 (59500)	
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	16253 (57800)	16366 (58200)	16506 (58700)	I	16647 (59200)	16788 (59700)	
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	16563 (58900)	16591 (59000)	16759 (59600)		16900 (60100)	16984 (60400)	
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	16788 (59700)	16872 (60000)	17013 (60500)		17097 (60800)	17153 (61000)	
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	16591 (59000)	16619 (59100)	16872 (60000)	D	17013 (60500)	17153 (61000)	
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16647 (59200)	16675 (59300)	16928 (60200)		17069 (60700)	17209 (61200)	
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	16872 (60000)	16900 (60100)	17069 (60700)		17209 (61200)	17294 (61500)	
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	16872 (60000)	16900 (60100)	17153 (61000)	A	17294 (61500)	17434 (62000)	
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	16928 (60200)	16956 (60300)	17209 (61200)		17350 (61700)	17491 (62200)	
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17097 (60800)	17125 (60900)	17294 (61500)		17434 (62000)	17575 (62500)	
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	17153 (61000)	17181 (61100)	17350 (61700)	Y	17491 (62200)	17631 (62700)	
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)		N.A. (N.A.)	N.A. (N.A.)	
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	19684 (70000)	19684 (70000)	19684 (70000)		19684 (70000)	19684 (70000)	
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	19965 (71000)	19965 (71000)	19965 (71000)		19965 (71000)	19965 (71000)	
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	20246 (72000)	20246 (72000)	20246 (72000)		20246 (72000)	20246 (72000)	
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	20387 (72500)	20387 (72500)	20387 (72500)		20387 (72500)	20387 (72500)	

(Note: Figures in bracket indicate prices in Rs./Candy)