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IBTEX No. 239 of 2017 November 30, 2017

USD 64.51 | EUR 76.54 | GBP 86.89 | JPY 0.58

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
17688	37000	**73.37**

Domestic Futures Price (Ex. Gin), November

Rs./Bale	Rs./Candy	USD Cent/lb
18380	38447	**76.24**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	75.52
ZCE Cotton: Yuan/MT (Jan 2018)	15,050
ZCE Cotton: USD Cents/lb	**87.81**
Cotlook A Index – Physical	**81.6**

Cotton & currency guide: Finally cotton price broke out of the confined range of 70 to 72 cents after a long period and moved higher. The most active March future traded sharply higher to post a close at 73.43 cents per pound. March settlement is the highest since 73.61 cents was witnessed on 5th September.

The expiring December settled at 75.52, up 147 points. December has a 10 session net gain of 692 points. The trading volume was 35,033 contracts.

Cleared yesterday were 24,333 contracts. We wouldn't be able to comment on a particular reason for such excessive gains except that it was a continuation of a two-month recovery, probably based on good cash business amid excessive speculative buying in March and across contracts.

Also cotton growers continued to fix prices and millers were unwillingly fixing the on- call sales. Remember, unfixed March on-call sales have been at an all-time high for any month ever. As of March 17th, total March on-call sales were 50,464 contracts. Open interests have increased further up 2,874 contracts to 237,373 contracts. In the last 4 sessions open interest has increased by 13,133 contracts. Certified stocks have remained at 47,951 bales with zero bales awaiting review since November 16th.

This morning ICE cotton is seen trading at 73.28 cents marginally down from previous close however, as long as it holds above 72.50 (the revised upward support level) the trend should continue to play positive. The next technical resistance is seen at 74 cents in the market. So the broad trading range for now is 72.50 to 74 cents.

On the domestic front, spot market continued to trade steady near Rs. 37600 per candy ex-gin. The price of new crop Punjab J-34 is relatively firm at Rs. 3883 per maund. From the supply front, the latest estimate of daily seed cotton arrivals is 170,500 lint equivalent bales (170 kgs). The data includes 44,000 registered in Maharashtra, 34,000 in Andhra Pradesh/Telangana and 35,000 in Gujarat.

However, the futures prices have increased marginally to post a close at Rs. 18620 per bale and expect market to remain sideways to slight positive. The trading range for now would be Rs. 18740 to Rs. 18450 per bale.

Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

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INTERNATIONAL NEWS

USA: Ending NAFTA would hurt growth, competitiveness of United States, Canada: report

Terminating the North American Free Trade Agreement would harm the U.S. and Canadian economies and reduce their competitiveness versus Asia and Europe, a report issued by the Bank of Montreal (BMO.TO) said.

According to the report, “The Day After NAFTA,” a failure to renegotiate the trade agreement between the United States, Canada and Mexico would lead to a 0.2 percent net reduction in real U.S. gross domestic product over the next five years, and a 1 percent decrease for Canada’s economy.

U.S. President Donald Trump has threatened to withdraw from NAFTA unless it can be reworked in favor of the United States, arguing that the pact has hollowed out U.S. manufacturing and caused a trade deficit of more than $60 billion with Mexico.

The United States, Mexico and Canada concluded a fifth round of talks to update NAFTA last week with major differences unresolved, casting doubt on whether a deal could be reached by the end of March 2018 as planned.

Douglas Porter, chief economist of BMO Financial Group and one of the report’s authors, said that while the three North American economies would adjust to a new reality, a shift in low-wage work to Mexico enabled by NAFTA had made them collectively more competitive on the global stage.

“If we splinter up NAFTA into three separate economies, that makes all of us less competitive and ultimately the whole region will end up losing a bit versus other trading areas like Asia,” Porter told Reuters by telephone. “The point here is there would be a cost to the U.S. economy and it’s a totally unnecessary cost.”

“Our view is even if the U.S. administration were to achieve that goal, it might come at the cost of an even wider deficit with Asia in particular,” Porter said.

If NAFTA negotiations were to fail, trade among the three countries would be subject to tariffs set by the World Trade Organization (WTO).

According to the report, the U.S. industries that would be hardest hit by reverting to WTO tariffs would be automotive, where the supply chain straddles all three economies, and textiles, as Canada and Mexico account for 15 percent of U.S. manufacturers' sales.

The report did not examine a "Zombie NAFTA" scenario, where opposition from the U.S. Congress would stall Trump administration efforts to terminate NAFTA, but Porter said that would create huge uncertainty for businesses in North America.

"Arguably uncertainty would be a bigger drag on all three economies," he said.

Source: hellenicshippingnews.com - Nov 29, 2017

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Fourth EU-Sri Lanka Dialogue explores Sri Lanka's investment and trade potential

The Ministry of Development Strategies and International Trade and the Board of Investment of Sri Lanka conducted for the fourth time a dialogue with the European Union Embassy and embassies of representative countries of the Union.

The European Union delegation was led by Tun Lai Margue, Ambassador of the European Union to Sri Lanka who was assisted by representatives of other EU member states.

The countries represented were France, Germany, the Netherlands and the UK but also included delegates from Spain who are posted in New Delhi but accredited to Sri Lanka.

Also participating were representatives of the European enterprises operating under the BOI.Representatives of the European Chamber of Commerce in Sri Lanka (ECCSL) also participated at the dialogue.

The Sri Lankan side was led by Malik Samarawickrama, Minister of Development Strategies and International Trade who was assisted by Chandanie Wijayawardhana, Secretary, Ministry of Development Strategies and International Trade, Duminda Ariyasinghe, Director General of the BOI and Indira Malwatte, Chairperson of the Export Development Board.

Parakrama Dissanayake, Chairman of Sri Lanka Ports Authority, Malraj Kiriella, Director General Sri Lanka Tourism Development Authority also participated at the dialogue.

Furthermore a number of leading Sri Lankan institutions dealing with investors and other economic issues were also present at the meeting. These included among others the Health Ministry, and vital institutions such as the BOI and Inland Revenue Department.

Minister Malik Samarawickrama welcomed the delegation from the European Union and commended the close relations that have been built over the years. Tun Lai Margue thanked the Minister for organizing the meeting which had been held previously in July 2017.

Subsequent to that meeting, the European Union was able to hold formal discussions with the Ministers of Finance and of Health in Sri Lanka in November 2017. The Ambassador added that the EU was studying Sri Lanka's current budget since it reflected some of the country's political and economic objectives, which met some of the recommendations of the World Bank and of the International Monetary Fund.

The ambassador stated that this budget would lead to the creation of a more favourable business environment and several progressive outcomes would arise from such efforts. This includedevaluating the possibilityof foreign investors owning land in Sri Lanka, as well as economic packages that would promote the development of small and medium enterprises, notably in the Northern Province.

The new budget also encourages investment in new sectors such as the IT industry as well as the agricultural sector. The ambassador also added that it was positive that under the budget, environmental issues were to be addressed by the Government of Sri Lanka.

Promotion of electric cars in the country was also a significant new move on the part of Sri Lanka. He stated that the EU felicitated the Government of Sri Lanka in its efforts, particularly in the area of seeking to boost investments in the country.

Minister Malik Samarawickrama replied, adding that the current budget of the Government of Sri Lanka was the most outward orientated budget that the country had adopted since the era of the late President J. R. Jayewardene.

One of its strength was the development of a very comprehensive Inland Revenue Act.

However, a vital areathat needed to be addressed was improvement on the "Ease of Doing Business"since success in this area this would impact very positively on investment and trade.

The minister stated that Sri Lanka warmly welcomes investors from the EU and would greatly appreciate if the EU mission could disseminate within the Union, a message that the Government of Sri Lanka is indeed very keen to welcome them to develop new industries in the country.

The objective of the government was to make every industrialist an exporter. At the same time there is a commitment on the part of Sri Lanka to develop the Northern Province and many concessions have already be given to promote economic activity in the former conflict affected areas.

In that respect investors from the European Union can indeed play a vital role as Sri Lanka's partners, developing this area to help address the differences that exist within the country. The minister stated that he was looking forward to continue this dialogue every three months and addressing whatever issues that may exist concerning EU companies based in Sri Lanka.

A number of subjectswere discussed by the Sri Lankan side and the EU delegation. These included the need for a definition of what constitutes "used cars" in Sri Lanka. In addition to this the EU delegation spoke of a need for Sri Lanka to formulate environmental standards that are consistent and of a very high level.

The minister also spoke of Sri Lanka's objective to develop container terminals located on both the Eastern and western coasts in the Island. The European Union Chamber of Commerce discussed their need for addressing issues of noise pollution at certain tourism locations as well as the Island's objective to develop a strong dairy sector.

Discussions also covered the future development of a dry port in the area of Bloemendhal.

At a macroeconomic and strategic level the European Union represents an important source of investment for Sri Lanka.

In the period 2005 – 2016, EU enterprises operating under BOI invested an estimated US$2.5 billion in Sri Lanka.

The bulk sectors for investment were manufacturing (other than textile and apparel) US$ 557 million; textile and apparel manufacture (US$ 327 million); telecommunications (US$ 617 million): Airline services (US$ 325 million); and power generation (US$ 255 million).

The leading European Union countries in terms of FDI to Sri Lanka are the United Kingdom with 90 projects under BOI (of which 54 exporters), Germany (42 projects, 31 exporters), the Netherlands (29 projects, 14 exporters), Sweden (20 projects, 13 exporters) Italy (18 projects, 14 exporters), France (13 projects, 10 exporters) and Belgium (10 projects of which 6 exporters).

The EU-Sri Lanka dialogue thus offers considerable opportunities to creating opportunities for attracting European investment to Sri Lanka.

Source: dailymirror.lk - Nov 30, 2017

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Pakistan: Government allows cotton import from India, but sets tougher rules

Government allowed cotton imports from India to meet the growing appetite of key textile industry, though it slapped tough set of rules for consignments from the neighboring country, officials said on Thursday.

“Pakistan is likely to start issuing permit for import of cotton from India through land route in a next few days under new tough conditions that may not fully ease already imposed restrictions on trade,” an official said.

Pakistan, which is the world’s fourth largest cotton producing country, falls short of around four million bales a year to meet the local demand of nearly 16 million bales. Officials said a permit from the Department of Plant Protection of Pakistan’s food ministry is mandatory, under the new phytosanitary conditions, for import of unprocessed cotton, including raw or seed cotton, cotton lint, linters, cotton waste and cotton stuffing from India.

The National Plant Protection Organisation would inspect and test the consignments according to appropriate procedures and to ensure the goods are free from biosecurity pests. “The goods must be clean and free of contaminant seed, soil and plant debris and other bio-security risk material prior to arrival in Pakistan,” the department said in a letter.

Pakistan used to import 0.5 to 2.8 million bales from India in the past, but the government suspended the import last year because of some objection of the Department of Plant Protection.

Naseem Usman, chairman of Karachi Cotton Brokers Association expected an import of around 0.7 million bales from India this year. Usman said textile mills have signed import contracts of 1.8 million bales from countries, including US, Brazil, South Africa and Middle East.

Ihsanul Haq, chairman of Pakistan Cotton Ginners Forum, however, said the new conditions would not help in fully restoring cotton trade between the two countries. A senior textile ministry’s official, defending the government’s move, said tough conditions are indispensable to protect any threat to local cotton crop.

"Due to flawed cotton ginning process in India, it has been observed that cotton seed was also found in the imported consignments," he said, requesting anonymity. "This seed may contain diseases and also carry eggs of various insects and pests. So, it is important to allow import of cotton after going through all phytosanitary requirements."

Usman argued that Indian cotton is good in quality, "while it would be convenient for us to buy from India, as delivery time is short and price is feasible." Haq agreed that the cotton prices would also fall in the local market following the import from the neighbouring country.

Textile mills have been long demanding restoration of cotton import from India, the world's second biggest cotton producer, to meet shortfall in local production. All Pakistan Textile Mills Association (Aptma) also urged the government to immediately notify withdrawal of four percent customs duty and five percent sales tax and other non-tariff restrictions on import of cotton to enable the industry to meet its export commitments.

An Aptma official said the government should remove phytosanitary restrictions. The official said the government pledged to withdraw the import restrictions in the Prime Minister Trade Enhancement package in January. The department further said an Indian consignment arrived without valid import permit and phytosanitary certificate would be destroyed or deported.

"The department reserves the right, if considered necessary to cancel the import permit even after issuance on detection of bio-security pests/risks or any other violation of import conditions," it said.

The department further said non-commodity concerns must be assessed, including container cleanliness, packaging and destination concerns, "and may be subject to inspection and treatment on arrival."

Source: thenews.com.pk- Nov 29, 2017

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Polyester fibre market to reach $39.3 billion by 2025

The global polyester staple fibre (PSF) market is expected to reach $39.3 billion by 2025, growing at a CAGR of 6.3 per cent, says a recent report.

Rise in the global consumption of sustainable textiles has been a major factor driving market growth. Growing environment consciousness and cheaper price of PSF has increased utilisation of PSF in the market.

Solid PSF was the largest product segment in 2016 and is expected to witness a promising growth rate over the forecast period, according to the "Polyester Staple Fibre (PSF) Market Analysis 2014 – 2025" report by Research and Markets.

Hollow product segment is anticipated to observe a low growth rate by 2025. In terms of revenue, apparel application segment is anticipated to observe the fastest growth over the next eight years at a CAGR of 6.7 per cent from 2017 to 2025, the report said.

Polyester staple fibre is lightweight, wrinkle-free, and resistant to light and weather. It also has an ability to withstand extreme climatic conditions. It is used as a key element in various end-use sectors, including apparel, home furnishing, construction, and automotive, which is expected to drive market growth over the forecast period.

Rising product demand, owing to its long-term effectiveness, high elastic resilience, tenacity, and eco-friendly nature of PSF, is also expected to boost market growth over the next eight years.

PSF is instrumental in improving the overall quality at a lower price than its alternatives, which is expected to drive its demand. Increasing product usage in Asia Pacific owing to its rising utilisation in textile manufacturing industry is also expected to boost demand over the forecast period.

Source: fibre2fashion.com - Nov 30, 2017

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Vietnam on course to meet textile, garment export target

While another $8 billion worth of exports is needed before the yearend to fulfil Vietnamese Government's 2017 export target of $31 billion in textiles and garments, the average export growth rate in August and September indicates the target is achievable, according to Le Tien Truong, general director of Vietnam National Textile and Garment Group (Vinatex).

Vietnam's textile and apparel exports were worth $28 billion in 2016 and exports growth is projected to reach 10 per cent this year, a Vietnamese online newspaper reported.

Of the five major destination markets for Vietnamese clothing goods, the United States, Japan, South Korea and China are members of the Asia-Pacific Economic Cooperation (APEC) and jointly constitute 70 per cent of export turnover, contributing remarkably to the country's export growth in 2017. The fifth is the European Union (EU).

Exports to these five markets have witnessed exponential growth, said Truong. From January to September this year, the clothing industry grossed $23 billion in export turnover, including yarn exports at $2.6 billion, materials and non-woven fabrics at $1.1 billion and clothes at $19.6 billion.

Exports to the US market have grown by 6.5 per cent and are expected to reach about $13 billion this year. Exports to Europe and Japan have posted slower growth, between 4 and 4.5 per cent. Exports to the South Korean market are expected to hit nearly $2 billion this year.

In the first eight months of this year, apparel and textile exports to China rose by 30 per cent to $670 million. Export turnover to the Russian market will likely exceed $200 million this year making it among the top 10 apparel export markets.

Russia is considered a potential market for Vietnam over the next five years, Truong added.

Source: fibre2fashion.com- Nov 30, 2017

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Turkey targets touching $50 billion in textiles exports by 2023

As the Turkish textile industry participates in international trade fairs and events and monitors fashion trends worldwide, the country can deliver latest trends to consumers.

This has helped Turkey's textile and apparel exports record $30 bn annually, of which $7.5 bn accounts for Merter, a District in Istanbul known for its ready-to- wear textiles. Data from the Merter Industrialists' and Businessmen's Association (MESIAD) chairman Yusuf Gecü, reveals all medium and large textile and apparel manufacturers in Turkey have a store or showroom in Merter. There are 10,000 stores in the region and the number of people directly employed in these stores has now touched 1,00,000.

As per latest statistics, the district exports textile and apparel products to 215 countries. Gecü says Merter welcomes 3,000 importers every day from 60 countries in the Middle East, Africa, the Turkic Republics, the Far East and especially from the US, Russia, Europe and the Gulf countries. Merter's exports amount to 25 per cent of annual textile and apparel exports in the country.

Turkey's average export value per kg is around $1.7 and this figure reached $15 in apparel and $5 in textile. Gecü says Turkey's 2023 goal is to exceed $50 bn in exports and they target $15 bn of this figure from Merter alone. Turkey is among the few countries in terms of producing quality denim jeans and knitted products.

Turkish producers are striving to become top brands as they are focusing on quality product with design. Turkish goods are seen worldwide as cheaper than Europe and much better in quality than China. Gencü says this perception was in the minds of consumers particularly in Russia, Turkic Republics, African, European, Middle Eastern and Gulf countries.

Source: fashionatingworld.com- Nov 28, 2017

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Bangladesh apparel makers fear hike in bulk power tariff

Bangladesh's apparel manufacturers are demanding implementation of a clear strategy in energy supply to its industry following fears of a hike in bulk power tariff. Manufacturers feel a need for holistic plan for energy supply as key area of concern for entrepreneurs to take planned investment decisions.

The country has already raised the retail power tariff by BDT 0.35 per unit, to be effective from December 2017. The bulk tariff, used by industries, is not yet raised, prior to the hike, Bangladesh's Power Development Board proposed raising the power tariff by 15 per cent per unit at the bulk level.

Currently, the bulk tariff per unit of electricity is BDT 4.90. The Power Development Board proposed that it should be set at BDT 5.99, however, a final decision is yet to be announced.

Mohammed Nasir, Vice President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) points out energy is an absolute prerequisite to tap the potential of the industrial sector, especially the apparel industry. More development requires more energy. Therefore, the government must draw a clear strategy for supply.

Source: fashionatingworld.com- Nov 29, 2017

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Bangladesh: Mixed fortunes for garments units

The country's garments industry is still in transition. Following the Rana Plaza disaster, European Union (EU)-based retailer under the Accord and North American retailers under the Alliance inspected more than 2,300 garments factories in order to identify how their safety standard could be improved.

Of those, 150 were referred to the government for immediate action on the ground of serious safety risks. Again, of the 150, 39 were closed, 42 partially closed and 69 were allowed to operate with some recommendations. The rest were brought under a remediation programme.

But there remained another 1,549 outside the scanner of the Accord and the Alliance. On inspection for structural, fire and electrical integrity under a joint initiative by the government and the International Labour Organisation (ILO), about one-third of those factories have been closed by their owners. Non-compliance with safety standard, failure to compete in the market and also the reluctance to reinvest in units led to their closure.

If these are negative developments, there is a silver lining also in that 64 factories moved to new buildings, 14 were shifted to export processing zones (EPZs) and 178 were added to Western retailers' platforms. This means that a total of 256 factories inspected under the National Initiative (NI) got their acts together. Now of the rest 780 garments units, 312 are housed in their own buildings.

Sadly, a significant number of garments factories have completed only 20 per cent of the remediation suggested over the past two years. This means there is a lot to be done by this large number of factories in order to stay in business. The Department of Inspection for Factories and Establishments (DIFE), a body vested with the power to inspect for the NI have issued a directive for the factory authorities to complete remediation by next April. Failure to meet the deadline will invite closure of factories, the authorities threaten.

So, overall not all is well on the readymade garments front of the country. The factories housed in their own buildings certainly have a better chance of retrofitting their establishments in order to comply with the required safety standard.

But the factory owners have to be serious about the job on hands. In a highly competitive world, they must pull their socks up and be ready to take the challenge. The fact that 256 units have improved their performance by this time is going to act as an incentive for them. When the competition is stiff, the toughest get going.

The fate of the rest 468 looks bleak indeed because they are operating from rented buildings where other establishments are also housed. Remediation there is out of the question. All they need is recapitalisation. If they cannot independently take up the job, better it would be to go for partnership business.

Vietnam is making gains in export share in the global market because it has proceeded in a planned manner. Bangladesh, sadly, did not follow the same policy.

Now putting its house in order proves daunting. But given the prospect of a better organised garments industry, the country has no option other than getting its acts together.

A campaign for convincing Western buyers aimed at raising prices of Bangladeshi products should also be launched. Its positive impact can save garments factories here.

Source: thefinancialexpress.com.bd- Nov 29, 2017

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NATIONAL NEWS

TEXPROCIL Welcomes MEIS and RoSL Rate Increase for Made ups

The Government has increased the rate of Duty Credit Scrips issued under the Merchandise Exports from India Scheme (MEIS) from 2% to 4%. The Government has also notified the post GST rates of RoSL (Scheme for Rebate of State Levies) on Export of Garments and Made ups vide Ministry of Textiles Notification dated 24.11.2017. The RoSL rate for Cotton made ups have been increased from 1.55% to 2.20%.

Welcoming both these measures, Shri Ujwal Lahoti, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL) said, “The increase in the MEIS entitlement and RoSL rate has come as a huge relief for exporters from the made ups sector who are currently passing through difficult times.” Shri Lahoti pointed out that Made ups is a labour intensive sector and any encouragement to this sector will have a positive impact on the entire value chain of Cotton textiles.

The Chairman, TEXPROCIL also urged the Government to include Cotton yarn under the MEIS and increase the MEIS on cotton fabrics from 2% to 4%. Shri Lahoti pointed out that while every other segment in the textile value chain including Manmade fibre spun yarn have been provided with the MEIS benefits, cotton yarn has been excluded for some inexplicable reason, even though it was included in the Focus Market Scheme (FMS), Incremental Export Incentive Scheme under the earlier Foreign Trade Policy. Presently, Shri Lahoti pointed out that there are no benefits extended to export of cotton yarn under the Foreign Trade Policy.

Shri Lahoti further stated that the spinning sector with its huge investments is presently passing through difficult times and is losing market share to Vietnam and Indonesia due to increasing costs. Withdrawal of the export incentives for cotton yarn has reduced India’s competitive edge as Indian prices have increased by 5-6%. Increase in exports of cotton yarn will benefit not only the spinning sector but also the cotton farmers and the value added segments of fabrics and made-ups/garment, he added.

As regards Fabrics, Shri Lahoti pointed out that the strength of any country in garment exports lies in the competitiveness of the fabric sector. The Fabric sector also employs around 17.8 million people and is the largest employer in the complete textile value chain.

Shri Lahoti stated that in spite of the availability of raw material and labour force, India has a share of only 6% in world fabric exports against China's share of 51%.

In view of the vast potential for India to increase its textile exports, Shri Lahoti appealed to the Government to take an integrated approach towards incentivizing exports and extend MEIS to cotton yarn and increase the MEIS on cotton fabrics from 2% to 4%.

Source: businesswireindia.com- Nov 29, 2017

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Government to release mid-term foreign trade policy review on December 5

The government on Wednesday said it will release the midterm review of the Foreign Trade Policy (FTP) next week.

The directorate general of foreign trade in an office order said the review will be released on December 5.

The FTP review was earlier to be released before July 1, in line with the goods and services tax (GST) rollout. However, it was delayed as the government planned to factor in the exporters' feedback on relevant issues post GST.

The five-year FTP was announced on April 1, 2015 and laid an ambitious target of touching $900 billion of exports of goods and services by 2020. It also provided for a review when the policy was half-way through and marked a departure from the earlier practice of an annual supplement to the policy.

It also aimed increasing India's share of world exports from 2% to 3.5%.

However, exports dipped for the first time in 15 months in October, falling 1.1% to $23.1 billion and are expected to fall further in November as exporters turn away clients and new orders while they get to grips with the new tax regime, which was rolled out on July 1. Last month's trade deficit widened the most in three years to $14 billion.

The review is aimed at taking corrective steps by assessing the impact of export sops on various sectors besides propelling SMEs which generate jobs.

India exported goods worth $274.6 billion in 2016-17, 4.7% higher than $262.2 billion in the previous year.

The Federation of Indian Export Organisations has pegged India's exports to reach $700-725 billion by 2020.

Source: economictimes.com- Nov 30, 2017

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Apparel Exporters Say Six Million People May Lose Jobs

Apparel exporters said nearly half of 12.9 million people employed in the $17.5-billion industry may lose jobs as one of India's largest employment-generating sectors struggles to recover from the disruption caused by the Goods and Services Tax.

Many factories in Jaipur, Ludhiana and neighbouring areas have already shut down, PMS Uppal, president at Okhla Garment and Textile Cluster said in a press conference in New Delhi on Tuesday. "Almost 30 percent of export units have shut in the hosiery hub of Ludhiana. Six million employees may lose jobs this financial year."

Exporters said production costs have risen because of new levies on air freight and outsourced work. And delayed refunds of taxes paid on inputs have added to their pain.

Apparel shipments declined 39.2 percent in October over the same month last year, Uppal said. In April-October, they were down 5.8 percent and are expected to fall 15-20 percent in the year to March, he said.

Exporters were not required to pay tax on several inputs earlier, Ved Jain, former president of the Institute of Chartered Accountants of India, the governing body for the accounting profession, said. “GST now taxes inputs and reduces incentives like drawbacks. That’s hit the garment exporters.” Reducing input costs and higher incentives will help the industry, he said.

The duty drawback, or the rate at which taxes on imported inputs are refunded, was brought down to 2 percent from 7.5 percent. The rebate on state levies was also lowered to 1.7 percent from 3.5 percent.

Sudhir Sekhri, chairman at Garment Exporters Association, said the average profitability prior to GST was 4-5 percent of the turnover. “Due to reduction in the drawback rate and rebate of state levies rate, we are losing 6.5 percent of the profit.” Order book is expected to contract by 10 percent in the year to March, Sekhri said.

There was no tax on job work or outsourced services and air freight. That’s changed after GST. Air freight is taxed at 5 percent. Outsourced services like embroidery and knitting were initially taxed at 18 percent but the rate was later lowered to 5 percent.

The government also increased the duty benefit under the Merchandise Exports from India Scheme from 2 to 4 percent to cushion exporters. Yet, that hasn’t helped much.

“Still, the industry is worse off by around 4-5 percent compared to the pre-GST era considering the impact of change in tax rates, input credits and export incentives,” said Nimish Bhatia, director at law firm BDO India LLP. Despite higher benefit under the merchandise exports scheme, “exporters are struggling to maintain the same business levels”.

On top of it, refunds for taxes paid on inputs have still not been released. The exporters have urged the government to expedite the refunds as it has blocked their working capital. Banks too are unwilling to lend. Borrowing more is further hurting profitability, Bloomberg reported Ganesh Kumar Gupta, Mumbai-based chairman of Akaash Textiles Pvt. Ltd. and Vijay Silk House Group, as saying.

Being one of the largest employment generators in the country, the government must address the industry’s concerns, BDO India’s Bhatia said.

Source: bloombergquint.com- Nov 29, 2017

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FICCI, UP unit welcomes draft textile policy of Yogi govt

FICCI, Uttar Pradesh State Council has welcomed the draft textile policy of the Yogi Adityanath government.

Chairman L K Jhunjhunwala and Co -Chairman S K Khandelia on Tuesday attended the meeting called by the Chief Minister, to discuss the draft textile policy for the State.

Mr Khandelia welcomed the draft Textiles Policy of UP, with claiming in a statement here that this policy will uplift the sector in the State. Prior to the release of the draft policy, FICCI had submitted detailed suggestions to the UP Government for formulation of a vibrant and competitive Textiles Policy.

Commenting on the draft Policy, Mr Khandelia said “It is heartening to see that many of the suggestions submitted by FICCI like Open access for existing as well as new units, capital subsidy for new and existing units over and above TUFS, interest subsidy over and above Central Government’s subsidy for technology upgradation have been included in the draft Policy. All this would help in attracting investments in the sector in value added segments”.

Chairman L K Jhunjhunwala, said “UP has abundant labour force that currently is largely employed in the industry outside the State. This policy has the potential to provide jobs to millions of natives as it is a labor intensive sector”.

The FICCI has given other suggestions too like subsidy in the power tariff and capital subsidy which might also be considered by the state government in the textile policy.

Source: uniindia.com- Nov 28, 2017

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Pending GST refunds, technical glitches continue to hold up exports

Five months after the roll out of the goods and service tax (GST) regime, exporters have pointed out that last mile, procedural issues continue to plague the sector due to the yet-to-be-updated filing systems and poor on-ground implementation of norms.

Difficulties in filing for export refunds and a plethora of new regulations and changing norms which continue to make the process of exports difficult, the Federation of Indian Exports Organisations (FIEO) have informed the Commerce and Industry Minister Suresh Prabhu.

They have also pointed out that most issues still revolved around the unreleased tax refunds under GST-the most pressing issue among exporters. A staggering Rs 50,000 crore worth tax refunds are yet to be released by both the Centre and state governments, FIEO has said

"Exporters are absolutely in dark to know the status of their pending claim. The response given by the customs authorities is also very limited. It is, therefore, essential that a facility to view the status of refund may be provided so that the exporters are aware of the stage of refund and deficiency, if any." FIEO President Ganesh Kumar Gupta said.

Exporters in a spot as GST refunds delayed Ministers' panel to resolve GSTN issues: Arun Jaitley Glitches galore in filing returns under GST GST Network: After soft launch, testing times ahead

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He added that the port-wise breakup of pending refunds should also be made available in line with the system in place for pending duty drawbacks.

In a recent interaction with Business Standard, Prabhu said that he has taken up the refunds issue with the Finance Ministry also pointing out that a long-term solution needed to be brought out to reduce the time period between the payment of taxes and the starting of the refunds process.

This is expected to bring down India's exports in November as exporters in a number of sectors such as apparel and engineering, among others, have been able to accept significantly fewer orders over the past three months.

India's exports dipped for the first time in 15 months in October falling 1.1 per cent. Last month's trade deficit widened the most in three years to $14 billion.

On Wednesday, the Finance Ministry said in a notification that it has received Integrated GST refund claims worth Rs 6,500 crore in the first four months of the GST rollout. "Refund claims of IGST paid for exports made in August, September and October 2017 are being sanctioned seamlessly wherever returns have been accurately filed," it further added.

On the other hand, a senior Finance Ministry official pointed out that claims are not being filed with proper forms and matching shipping bills. He added that businesses can upload the final sales return for August in GSTR-1 on the GST Network (GSTN) portal from December 4.

Faced with an acute shortage of funds owing to a lack of working capital, exporters are unable to file claims for the month of August under Table 6A due to technical glitches.

"For the month of August, exporters are still not able to file Table 6A as initially. there was an error. Exporters have, however, already filed the GSTR-1 form for July."

In a number of cases, refunds have not flown into traders' accounts as shipping and airline operators did not file the online Export General Manifest properly. FIEO has demanded a system be worked out whereby traders are not penalised for any acts of omission by the logistics firm.

This is resulting in the refund settlement and exporters asking for a re-credit, T S Bhasin, Chairman of Engineering Exports Promotion Council said. But in the process, precious time is lost. For instance, for July, the re-credit would be paid along with August claims and thus the refunds keep on accumulating, he added.

Also, FIEO President Ajay Sahai pointed out that the process for clearing pending input tax credit hasn't even started yet.

Merchandise traders are also unable to file claims in some cases unable to file it as application forms such as the RFD-01A' application form is not available/activated on the GST common portal, FIEO said.

STORY: IN BRIEF

- FIEO has pointed out the centre and state governments are yet to release more than Rs. 50,000 crore of GST refunds
- Even as the industry faces a crippling liquidity crisis, technical issues have held up the claiming of refunds.
- Traders have told the Commerce Ministry that late or filing of Export General Manifesto by shipping or airlines have held up refunds
- For claiming input tax credit, application forms such as RFD-01A' is not available/activated on the GST portal.
- Exports fell for the first time in 15 months in October, going down 1.1 per cent.

Source: business-standard.com- Nov 30, 2017

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More tweaks likely to GST rules

After reducing the rates of more than 200 items in the previous goods and services tax (GST) Council meet, the panel might now significantly tweak rules to simplify procedures and ease rules for businesses.

The six-member advisory panel formed by the government for simplification and rationalisation of GST will likely propose a faster refund procedure, deferment of electronic way bill, further simplification of the composition scheme, among others.

It is expected to submit its report by the first week of December to the government.

“The key recommendations will essentially revolve around making refunds easy, putting off e-way bill and reverse charge mechanism for a year or so. In addition there is a demand for allowing inter-state supply in the composition scheme,” said a government official. He added these recommendations would be seriously considered by the government as the focus is on easing pain for small enterprises and reviving demand in the economy.

According to committee member Praveen Khandelwal, secretary general of the Confederation of All India Traders, at least Rs 2 lakh crore worth of input tax credit for four months was stuck, impacting working capital of companies.

“The refund process should be automated. The ITC should be released within the same month. Matching and adjustment may be done later,” he said.

However, as the GST revenue fell to its lowest in four months in October to Rs 83,000 crore, the government attributed it to self-declared tax payments.

“Since implementation of some of the main features of GST such as matching of returns, e-way bill and reverse charge mechanism have been postponed, tax compliance might not be up to the mark,” the government had said.

The advisory panel might also recommend doing away with declaration of HSN code in the invoice for easier return filing.

Besides, the classification should be such that the raw material and finished product are in the same slab. This would make refunds easier, added another member.

The council might pitch for a 1 per cent composition tax for restaurants under composition scheme as against 5 per cent charged at the moment. In the last meeting, the Council lowered rates for manufacturers in the composition scheme to 1 per cent from 2 per cent earlier, bringing it on a par with the rate for traders. However, the rate under composition scheme was unchanged for restaurants at 5 per cent, even as the normal GST rate for restaurants was reduced from 18 per cent to 5 per cent.

“We will ask for a common rate of 1 per cent under composition scheme even for restaurants,” said Khandelwal.

He added that inter-state supply must also be permitted under the composition scheme, which offers easier compliance and a flat rate of tax for small taxpayers.

The GST Council in the last meeting had hiked the threshold for the composition scheme to Rs 1.5 crore from Rs 1 crore, which will need amendment in the law. It is expected to come up in the winter session of Parliament next month.

The panel received more than 700 representations on problems faced by industry over return filing, the e-way bill, input tax credit, and exports.

The panel may recommend doing away with e-way bill for at least two years and coming up with an alternative mechanism in the meantime.

Chief Economic Advisor Arvind Subramanian in an interaction with Business Standard on Tuesday said the priority must be simplifying GST further for small and medium enterprises.

“The government is open to taking feedback from industry and rectifying the anomalies in the law.

We are putting in efforts to make the GST industry-friendly and will be open to incorporating suggestions by the advisory panel," said a government official.

Prime Minister Narendra Modi had said last month that the government was open to accepting issues raised by traders and businesses.

Source: business-standard.com- Nov 30, 2017

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Govt turns down plea for amending port concession agreements

Shipping Minister Nitin Gadkari has rejected calls from private firms running cargo terminals at government-owned major ports to allow change in the concession agreements to tide over stress emanating from regulatory risks and market dynamics.

"Except for change in concession agreements, he said he would do whatever possible. He clearly told the chief executive officers of private terminals that he cannot change the concession agreements," a Shipping Ministry official, who attended a meeting called by Gadkari in Goa on November 7, told *BusinessLine*.

The Minister's categorical statement has dashed the hopes of private terminal operators who have been lobbying with the government to amend the concession agreements. The Indian Private Ports and Terminals Association (IPPTA), an industry lobby, has sought "review of concession agreements periodically to take account of changing circumstances" and for "progressive migration to market-driven tariffs with no conditions".

"There is an agreement signed between two parties. The draft concession agreement was given to bidders during the tendering process. The government has not asked for a change in the CA in the last 15 years, then why are you asking for a change," the Minister was quoted by a port company CEO as telling the private terminal operators.

When the going is good, this is the best concession agreement, but when the facilities are facing stress, you seek changes in CA, Gadkari is understood to have told the private firms.

Multiple sources who attended the meeting confirmed this stance of the government.

In 2015, a committee led by Vijay Kelkar had asked the government to develop and implement a framework for dealing with requests for amending the concession agreements.

PPPs are typically very high value contracts, often with huge capital costs and high ongoing operating costs and revenues, which make it difficult for a party to such agreement to cope with any losses to capital invested or revenue forgone.

Besides, PPPs are usually long-term arrangements spanning 10-30 years and, hence, are not amenable for writing "perfect" contracts covering all situations and developments during a project's lifetime.

Given the above characteristics, it is no surprise that a number of such projects can become distressed. The forms of distress may vary but the factors that lead to such distress could give rise to a call for amending the terms of the concession agreement to better reflect project realities.

The committee noted that such calls typically (but not always) originate from the private party to the concession agreement and, since the objectives behind such a call would be biased towards maintaining a required return on investment, or preventing a default under financing agreements undertaken by the private party, or avoiding a risk or set of risks, amending the concession agreement may not be in the best interest of the public concessioning authority acting on behalf of the government.

Renegotiation rules

While suggesting benchmarks to be applied for such renegotiation of agreements, the Kelkar committee, asked the government to exclude any event of distress that was foreseeable at the time of financial closure, any event that would affect the concessionaire just as any other company in its ordinary course of business (for example general changes in law) and any impact arising from assumptions made or risks taken by the concessionaire in preparing its bid, from such an exercise.

The final decision for a renegotiated concession agreement must thus be based on full disclosure of long-term costs, risks and potential benefits, comparison with the financial position for the government at the time of signing the concession agreement and comparison with the financial position of the government prior to renegotiation.

“This will permit the concessioning authority to make a decision based on awareness of likely outcomes over the foreseeable future of the concession,” the Kelkar panel said in its report submitted to the government in November 2015 on ‘Revisting and revitalising PPP Model of Infrastructure’.

Source: thehindubusinessline.com- Nov 30, 2017

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Untimely rain, Bt3 seeds, pest attack leave Telangana’s cotton farmers in tatters

In the sprawling public market yard at Jangaon, Yellavva was the lone cotton farmer who had come to sell her produce. A small farmer, with just a couple of acres, she brought the produce in an auto-trolley, all weighing about two quintals. She sold it to a trader for ₹4,000 a quintal.

Yellavva was the sole farmer at the market because not many turn up at the government facility. “All of them go to private ginning mills where the CCI (Cotton Corporation of India) has set up procurement centres,” the trader says.

While the yard wears a deserted look, farmers make a beeline to private ginning mills that give them quick service so that they can go back home without the uncertainty of whether or not they can sell their produce the same day, at the government marketyard.

“I get nothing much after paying labourers and transport,” Yellavva says.

This is also the fate of thousands of farmers in Telangana. After getting a raw deal last year in other crops, they returned to cotton this year. The cotton acreage crossed a record 46 lakh acres this year in the State against the average acreage of 35 lakh acres.

Hopes dashed

Untimely rain during the picking season, a virulent attack of pink bollworms, and widespread cultivation of Bt3 seeds have left them dejected. Discoloured cotton with high moisture content is barely saleable and rates drop steeply. “Most small and marginal farmers are getting ₹500-600 less than the MSP for every quintal they sell,” said S Malla Reddy, Vice-President of All-India Kisan Sangh (AIKS).

The MSP for cotton for the year has been set at ₹4,320 a quintal (long staple) and ₹4,320 (medium staple).

Malla Reddy alleged that nearly a third of the total area was covered by Bt3 seeds, which were sold illegally in the State. The attack of pink bollworm was virulent as it appears to have developed resistance to the BG-2 technology.

Though there is no immediate official estimate of the extent of the damage, Ravi Kanneganti of the Centre for Sustainable Agriculture said the crop has been damaged in large areas because of this attack. As a result, despite the higher acreage, the cotton output remained almost the same at 30 lakh bales (of 170 kg each) that a normal year gets.

Crop shift

Farmers who suffered heavy losses last year as chilli prices crashed had come back to cotton in a big way. They even cut down on maize and soya areas to shift to cotton, which promised good prospects earlier this year.

Some of them even went for cotton in areas that are not suited for the crop’s cultivation, hoping to ride on the good demand.

Giri Babu, who heads a mutually-aided society run by farmers at Enabavi village near Jangaon, says the expenditure has gone up significantly, leaving farmers with almost nothing after paying for labour.

“The cost of cotton picking is ₹350 per labourer, per day. Besides, you need to hire a trolley to fetch 5-6 labourers from a neighbouring village. That costs an additional ₹700 a day,” he says.

Procurement status

It is estimated that about 60 per cent of the produce has been procured. Small traders are buying cotton from small producers in 1-2 quintals lots, aggregating them to up to 10 quintals to sell to a miller or a bigger trader.

An official of the State's Marketing Department said that a new initiative by the government has streamlined payments to farmers. "We mandated all payments that happen at the mandis should happen online. We will have the payments directly credited to their bank accounts," an official said.
But this is little help when there isn't much to sell.

Source: thehindubusinessline.com- Nov 30, 2017

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Exporters claimed ₹6,500 cr. GST refunds

Exporters have claimed refunds worth ₹6,500 crore in the first four months of GST implementation, according to the Centre which said that the majority of refund claims for July had been sanctioned while those for August, September and October were in the process of being sanctioned.

Correction provision

The government said the window for filing the GSTR-1 forms for August would be opened December 4 onwards, and that the August form would have a provision to correct any errors in the July returns.

"It is clarified that the quantum of IGST refund claims as filed through shipping bills during the period July to October 2017, is approximately ₹6,500 crore and the quantum of refund of unutilised credit on inputs or input services, as per the RFD 01A applications filed on GSTN portal, is to the tune of ₹30 crore," the government said in a statement.

"The Government of India is seized of the issue of exporters complaining about delay in grant of refunds pertaining to Integrated Goods and Services Tax (IGST) paid on goods exported out of India and similarly Input Tax credit (ITC) on exports," the statement added.

"Media reports with incorrect estimations of refund amounts held up for the period July to October 2017 have been noticed."

Shipping bills

The government further urged exporters to carefully reconcile the details in the shipping bills with those entered in the GSTR-1 forms, since mismatches at this level were the "sole reason" for delays or rejections of refunds. "It has been observed that certain common errors such as incorrect shipping bill number in GSTR1, mismatch of invoice number and IGST amount paid, wrong bank account, etc., are being committed by exporters while filing their returns," the government said.

"These errors are the sole reason for delay in grant of refunds, or rejection thereof," it said.

The statement added that since the Customs system was designed to automatically grant refunds without involving any officer, by matching information that on the GST Network portal and Customs system, the onus was on the exporters to fill in all details accurately.

Source: thehindu.com- Nov 30, 2017

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