# IBTEX No. 260 of 2017 December 30, 2017

USD 63.84 | EUR 76.64 | GBP 86.27 | JPY 0.57

| Cotton Market (29-12-2017) | | |
|---|---|---|
| **Spot Price ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19433 | 40650 | **80.91** |
| **Domestic Futures Price (Ex. Gin), December** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 20060 | 41961 | **83.52** |
| **International Futures Price** | | |
| NY ICE USD Cents/lb ( March 2018) | 78.80 | |
| ZCE Cotton: Yuan/MT ( Jan 2018) | 14,755 | |
| ZCE Cotton: USD Cents/lb | **86.77** | |
| **Cotlook A Index – Physical** | **88.10** | |

**Cotton & currency guide:** The both ICE and MCX cotton price on Thursday ended the session slightly on the weaker side. The recent excessive rise in price has prompted a part profit booking on the trade. Yearend closing may have also made the market to exit a portion of prior long positions in the market.

The most active March future at ICE ended the session at 78.88 cents and this morning the same is seen trading down by 0.13%. We expect with the recent overbought zone price correction cannot be ruled out.

On the price front on today's trading session 78 level is considered to be a strong support level while 79.40 is a very strong resistance point. We expect market to swing between the given trading ranges.

The most active January future at MCX made an intraday high of Rs. 20590 which settled lower at Rs. 20350 per bale. We expect on today's trading session market may remain slightly on the weaker side. Trading range for the day would be Rs. 20200 to Rs. 20500 per bale.

More on the market front no major action or event placed this week amid lower trading volume expected.

Trading volume on Thursday were just 19,566 contracts. Cleared were 27,379 contracts. The slowest volume so far in the week. Open interest was at 278,565 contracts, up 3,962 contracts from previous day. It was the highest open interest has been since March 29th (279,537 contracts). The 2017 open interest high was 288,081 contracts on 2nd February.

On the Indian front the spot price continued to trade positive at around Rs. 41200-41250 per candy ex-gin. Daily seed cotton arrivals are estimated at around 193,500 lint equivalent bales (170 kgs). This figure includes 60,000 bales registered in Maharashtra, 40,000 in Gujarat and 38,000 in Andhra Pradesh/Telangana.

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

# NEWS CLIPPINGS

# INTERNATIONAL NEWS

## China needs 6.3% annual growth in 2018-20 to double GDP

China needs an annual growth of 6.3 per cent in 2018-2020 to achieve its target of doubling the 2010 gross domestic product (GDP) by 2020, Yang Weimin, deputy head of the country's office of the central leading group on financial and economic affairs, said at an economics forum recently.

Yang does not foresee any huge barrier in meeting that goal.

China decided to double the 2010 GDP and per-capita income by 2020 five years ago to turn a moderately prosperous society.

GDP expanded 6.9 percent year on year in the first three quarters of 2017, above the government's target of around 6.5 percent for the whole year, according to a Chinese government-controlled newspaper.

In a report delivered at the 19th National Congress of the Communist Party of China, no more GDP-doubling target was mentioned, showing China's emphasis on development quality rather than fast expansion.

The focus will be on high-quality development, instead of rapid growth, as the potential growth rate has changed due to upgraded consumption, financial risk and environmental constraints, Yang said at the forum.

Ignoring these realities, if China continues to be obsessed with fast growth rates, the concomitant risks will outweigh the increase in GDP, he added.

Source: fibre2fashion.com- Dec 29, 2017

HOME

*****************

## USDA says global cotton use to expand 4pc in 2017-18

Global cotton consumption in 2017-18 is projected to increase 4 per cent to 119.6 million bales, according to the US department of agriculture (USDA).

This will be the largest year-to-year growth rate since 2009-10 when mill use rose over 8 per cent. Cotton mill use is expected to rise in Bangladesh, China, India, Pakistan, Vietnam and Turkey."

The improved global economic outlook and a more favourable price relative to synthetics is responsible for the largest global cotton consumption estimate in a decade," the Economic and Research Service of the USDA said in its latest report on 'Cotton and Wool Outlook'.

Mill use in China, the leading spinner of raw cotton, is estimated to reach 39 million bales in 2017-18, four per cent above the preceding year and the highest since 2010-11. China is the largest supplier of textile and apparel products to the world, and it is expected to benefit from the expanding global economy this season.

Increased mill use of cotton is also forecast in India, Pakistan and Vietnam, due in part to their continued yarn shipments to China. India's cotton mill use is projected at 24.75 million bales, up 3 per cent from 2016-17 but similar to 2015-16. Pakistan is expected to spin 10.4 million bales of cotton in 2017-18, up slightly from a year ago and the highest in 3 years.

Meanwhile, Vietnam continues to experience significant growth in its cotton consumption. In 2017-18, mill use in Vietnam is projected to reach a record 6.1 million bales, 13 per cent above the previous season, the report said.

In addition, cotton mill use is expected to increase in Bangladesh and Turkey, where gains of approximately 7.5 per cent are expected in 2017-18.

Source: rmgbd.net- Dec 29, 2017

HOME

*****************

# China: Cotton yarn price mixed in the whole 2017

.Cotton yarn price moved up in Jan-mid-Mar 2017 and then declined from mid-Aug.

During mid-Aug to Sep, it rose and then decreased. According to statistics, 2017 cotton yarn carded 32S hit high in the first decade of Mar at 23,780yuan/mt and low in end-Dec at 22,980yuan/mt.

The price in end 2017 was 140yuan/mt or 0.61% lower than that in early 2017.

$1=CNY 6.55

Source: ccfgroup.com- Dec 29, 2017

HOME

*****************

# Sri-Lanka: US GSP: Govt. says no significant impact

The discontinuing of the GSP programme by the US from next year to 120 countries including Sri Lanka would not make a significant impact on the exports to the US, the Government said today.

National Policies and Economic Affairs Deputy Minister Dr. Harsha De Silva said people seemed to be confused with the US GSP and Generalised Scheme of Preferences (GSP) Plus given by the European Union (EU).

“The US GSP applies to 120 countries and there is nothing special or significant to Sri Lanka. Once it was removed, the cost of exports will rise only by about 3% in tariff.

Sri Lanka’s total exports to the US was USD 2.8 billion in 2016. Only USD 173 million exports, which amounted to 6.2% of the total, received the GSP.

The number of textile exports was only 1% which amounted to USD 27 million. Any person can realise that this has no significant impact on our exports to the US,” he told a news briefing.

He said rubber based products, which were exported to the US enjoyed the GSP benefits largely.

“However, USD 173 million worth of exports which received GSP benefit is not a big amount of our total exports of about USD 11,000 million. This will make a negligible impact,” he said.

He said the EU GSP plus was more important than US GSP as only nine countries including Sri Lanka harvest the benefits of the GSP plus when exporting goods to 28 European countries.

“The GSP plus tariff concessions span from 10-20% which is a considerable reduction in tariff. Our exports to the EU stand at USD 3.1 billion in 2016 and over USD 2 billion worth of exports were textiles. We are able to and continue to benefit from the GSP plus.

Due to GSP plus, 47% of our fish exports had increased recently. Therefore it is very vital,” Dr. De Silva said.

He said that all 120 countries which received the GSP will have to pay 3% increase in tariff from next year.

“This is not significant as the 10-20% tariff reduction we receive from the GSP plus,” he reiterated.

The deputy minister refused reports which say the concession was not renewed because of the UN vote over Jerusalem, in which President Donald Trump’s decision to recognise Jerusalem as Israel’s capital was defied.

“The GSP has been removed for all 120 countries including the countries which abstained the UN vote and even those who voted alongside the US. The reports are unfounded,” he said.

He also said there was no need to go for State-level discussions with the US over GSP as its a policy based decision of that country.

Source: dailymirror.lk- Dec 29, 2017

HOME

*****************

# Pakistan: Policy grievances marked 2017 in Pakistan's textile sector

Grievances against government policies and regulations from all quarters of the textile industry and demands for amendments marked the year in Pakistan despite former Prime Minister Nawaz Sharif announcing a special package for textile exporters in early 2017. Cotton production crossed 10 million bales in the world's fourth largest cotton producing country. Dipesh Satapathy offers a recap.

Cotton production reached 10.685 million bales as of December 15, a 5.3 per cent rise over the corresponding period last year, according to the Pakistan Cotton Ginners Association (PCGA).

The PCGA urged the government to introduce a five-year cotton policy to raise production to 22 million bales and exports to 3 million bales through crop insurance incentives and quality premium for farmers.

Drawing attention to the issue of government and private enterprises failing to supply qualitative, well-germinated and heat- and virus-resistant seeds to the farmers, PCGA said the area under cotton crop should be increased to 4.2 million hectares from the current 3.2 million hectares.

Former Prime Minister Nawaz Sharif announced in January a Rs 180-billion package to boost the country's textile and apparel exports. The package included tax-free import of cotton and man-made fibre, and duty drawback on exports of fabrics, made-ups and garments against realisation of import proceeds. A revision to the package was announced in October.

However, the year saw complaints from various quarters against the improper and delayed implementation of the package and several other government policies.

The Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) in November urged Prime Minister Shahid Khaqan Abbasi to personally direct an early release of funds to implement the package as non-payment of refunds and a sharp rise in cotton yarn prices had adversely hit the value-added textile sector.

Criticising the finance ministry and the Federal Board of Revenue (FBR) for delaying the package and terming funds blockage as the primary reason behind the continuous drop in exports, PRGMEA urged the government to release funds to the central bank for disbursement of duty drawback of taxes to the exporters.

In December, Pakistan Hosiery Manufacturers and Exporters Association (PHMA) appealed for withdrawal of duty on the import of cotton yarn, a raw material for the value-added knitwear sector, following the proposed withdrawal of custom duties on raw cotton import from India. The sharp rise in cotton yarn prices has hit the value-added garment sector hard. The package had declared a number of incentives on cotton yarn import, but no such step has been implemented so far, said PHMA.

Associations representing the value-added textile export sector expressed concern over the delay by the State Bank of Pakistan (SBP) in announcing the procedure for applying duty drawback of taxes (DDT) claims under the revised package more than a month after its announcement.

The PREGMEA in September demanded revision of the textile policy by formulating regulations for specific sectors therein to tackle decline in exports. Foreign buyers are demanding new garments based on raw material, which are neither available in Pakistan nor produced by Pakistani weavers.

Expressing concern over suspension of the supply of system gas quota of two-day per week to Punjab industries from December 7, the All Pakistan Textile Mills Association's (APTMA) Punjab unit said the government had extended this quota last year to reduce the cost of business and address the inter-provincial disparity. While industries in Khyber Pakhtunkhwa and Sindh provinces continue to be supplied system gas for seven days a week, the same was being denied to the textile industry in Punjab, where factories are using more expensive imported regasified liquefied natural gas.

APTMA in September also urged the government to remove the gas infrastructure development cess and provide gas at the regionally competitive rate of PKR 400 per a million British thermal units. The spinning and weaving sectors are facing the brunt of high cost of doing business and this has made them unviable, it said.

The association in November wanted immediate withdrawal of restrictions, such as the 4 per cent customs duty and the 5 per cent sales tax, on import of cotton to allow the industry to meet the requirement of quality products by international buyers. Non-tariff measures on import of cotton from India and Brazil should also go as the industry badly needs contamination-free fine and medium staple cotton to produce export-quality goods, it said.

The National Tariff Commission was criticised by the Pakistan Yarn Merchants Association (PYMA) in November for imposing anti-dumping duties between 3.25 and 11.35 per cent on import of polyester filament yarn (PFY) from China and 6.35 per cent on such imports from Malaysia. Three-fourths of the domestic requirement of such yarn is met through imports.

The APTMA in October opposed the suggestion to stop the 4 per cent rebate on yarn exports on the basis of drawback of duties, local taxes and levies on exports. Export of yarn needs patronage, else it may lead to closure of mills. The spinning sector is incurring losses now by selling yarn below its cost due to poor demand from domestic consumers, APTMA feels. As the domestic industry consumes around 70 per cent of the total yarn production, a substantial amount is left unsold, and needs to be exported.

The International Apparel Federation opened its first regional office at the PRGMEA House in Sialkot in September. It will extend support to Pakistani apparel firms in exports, capacity building and compliance. PRGMEA also signed an agreement with the Dutch National Fashion & Textile Association Netherlands on the occasion to support the Pakistani apparel industry. In August, PRGMEA considered setting up a Pakistan Apparels Export Council to facilitate business in the sector.

In September, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) urged the United States to extend the generalized system of preferences (GSP), valid till December 2017, to December 2020 and include textile products under the facility.

Opposing the government proposal to impose 5 per cent regulatory duty on the import of polyester filament yarn (PFY), the PYMA demanded revival of the polyester filament fabric industry. There is already a 6.23 percent (on average) anti-dumping duty on the Chinese PFY and a high customs duty on that. There is only 25 per cent domestic production of polyester fabric against its total requirement.

The Australian Government, Cotton Australia and the Better Cotton Initiative (BCI) together launched a partnership in January to support the training of approximately 225,000 cotton farmers in Pakistan, beginning this year. PGMEA also kept itself busy preparing to establish the Pakistan Readymade Technical Training Institute (PRITI) that needs an investment of Rs 125 million.

Source: fibre2fashion.com- Dec 30, 2017

HOME

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## Bangladesh: Safety, compliance, welfare ruled Bangla garments sector

Decisions to amend relevant laws, restart 13 closed mills, cover garment manufacturing-exporting units under the labour ministry's welfare fund, adopt standard operating procedures of the International Labour Organisation (ILO), map all garment factories and act on workplace safety and compliance marked the year in Bangladesh's textile and garments sector. Dipesh Satapathy sums up the developments.

In November, Bangladesh decided to amend its labour law and the Bangladesh Export Processing Zones Authority Law to comply with the European Union (EU) recommendations. The EU had earlier called on Bangladesh to show tangible progress on labour rights to avoid temporarily losing the generalised system of preferences (GSP) benefit that allows the country duty-free export to the former.

In the same month, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) wrote a letter urging the labour ministry to form a minimum wage board to review the existing wages of the readymade garment (RMG) workers. Industry insiders, however, say, the move followed international pressure and is aimed at averting a likely labour unrest. The BGMEA urged the government early this year to establish two new industrial zones near Dhaka and Chittagong.

In June, the association requested that tax at source for the RMG sector, which was increased from 0.7 per cent to 1 per cent, should be withdrawn for the next two fiscals and corporate tax be reduced to 10 per cent from the proposed rate of 15 per cent for the next five years.

The cabinet committee on economic affairs in December approved a proposal from the Bangladesh Textile Mills Corporation (BTMC) to restart 13 textiles mills, shut down 25 years ago due to losses, and run them under a public-private partnership initiative. BDT 15,200 crore will be allocated to purchase new machinery to replace the existing ones and run these mills.

Digital RMG Factory Mapping in Bangladesh (DRFM-B), a major first-of-its-kind initiative to map all apparel factories and disclose location and data on garment factories, was launched in August. The project is being implemented by Dhaka-based BRAC University's Centre for Entrepreneurship Development (CED), coordinated by BRAC USA, with the BGMEA as a strategic partner, along with lead funding from C&A Foundation.

Between May and July, the government adopted standard operating procedures (SOPs) relating to unfair labour practices and trade union registrations. Trade union representatives are now better aware of how these SOPs have to be implemented, according to the ILO office in Dhaka. ILO feels this will help facilitate freedom of association in the country and offer greater clarity and transparency in the process.

Prime Minister Sheikh Hasina announced in August that RMG manufacturing and exporting units will be covered under the labour ministry's central fund from which a worker or his children can get BDT 3 lakhs in case of grave injuries or death at workplace. If the injury or death is outside the workplace, the compensation will be BDT 2 lakhs.

The labour ministry welfare fund, created with 0.03% of the export volume of the industries under BGMEA and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), is solely aimed at providing financial support to the workers' families.

The Alliance for Bangladesh Worker Safety, a platform of North American retailers that sets timeframes and accountability for safety inspections and training and workers' empowerment programmes, decided in August not to extend its tenure in the country after its expiry in mid-2018. This was in contrast to a June decision taken by another platform of European retailers, the Accord on Fire and Building Safety, to extend its tenure in Bangladesh for three more years until 2021.

Accord's tenure will also expire in July 2018. In October, the Bangladesh high court halted Accord's second term due to its tenure being extended without government approval.

According to Alliance's latest findings, 85 per cent of all required factory repairs have been completed, 80 per cent of high-priority repairs done, while overall remediation has made 80 per cent progress at RMG factories under Accord inspection.

In September, garment makers in Bangladesh proposed forming a factory inspection and remediation agency, similar to Accord and Alliance, to operate under an ombudsman chosen by the prime minister's office. To be called 'Shonman' (respect), the platform will have a steering committee comprising representatives from the BGMEA, the BKMEA, the ILO, the commerce and labour ministries, various brands, and trade unions. Neither the government nor the BGMEA will have veto power.

It has been reportedly agreed that the Accord will be granted an extension to operate beyond its expiry date, if the proposed national regulatory body is not ready to take over its work.

There is a need for the Bangladesh apparel industry to continue to nurture the Centre of Excellence for Bangladesh Apparel Industry (CEBAI), launched in 2014 to address the skills gap in the sector, to support the industry move up the value chain and gain further share in the world market, CEBAI president Mohammad Atiqul Islam said in December. CEBAI is run by the BGMEA and was supported by the ILO, Sweden and leading international fashion retailer H&M until November 2017.

The ILO concluded a comprehensive labour inspection training programme in June, training 239 inspectors in boosting working conditions and worker safety.

The EU announced in May that the Sustainability Compact, a joint initiative of the Bangladesh Government, the EU, the United States, Canada, and the ILO that promotes improvements in factory safety and labour rights in Bangladesh's RMG manufacturing industry, has made fantastic progress.

HSBC Bangladesh in August arranged $46 million in low-cost foreign currency for apparel exporter Viyellatex for the purchase of goods, equipment and technology from suppliers in Switzerland, Japan, India, Germany and the United Kingdom for a new spinning mill.

Deshbandhu Textile Mills announced in July that it will set up a garment factory in Uttara Export Processing Zone in Nilphamari by investing $53.77 million.

The country's first-ever garment factory to facilitate income of prisoners was inaugurated in December at the Narayanganj district jail. The BKMEA trained around 400 prisoners to run the factory in two shifts.

Source: fibre2fashion.com- Dec 29, 2017

HOME

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## Uzbek exports textile worth over $1 billion in 2017

Uzbekistan textile industry is considered to be one of the most dynamic and socially important sectors and ranks high among export-oriented industries of the country's economy.

The Uzbek textile industry is mainly focused on cotton, silk and wool. According to preliminary data, light industry enterprises of Uzbekistan exported textile products for $1.1 billion in 2017.

To date, about 7,000 enterprises of the industry are operating in the republic. Capacity for production of cotton fiber in the amount of 1.4 million tons has been created, of which about 60 percent is used to meet the needs of domestic textile enterprises.

One of the policy priorities of Uzbekistan, the world's fifth-largest cotton exporter, is further development of its textile industry. Annually, the country grows about 3.5 million tons of raw cotton, produces 1.1 million tons of cotton fiber.

Domestic production was supplied to more than 50 countries of the world, and the share of goods with high added value exceeded 40 percent.

If in early 2017 there were 293 exporting enterprises, then by the end of the year their number had reached 350. In addition, the growth of export indicators was facilitated by the activity of 64 trading houses which were opened in foreign countries.

Uztekstilprom's representative said that one of the effective forms of further development of the textile industry will be the creation of clusters. This model implies the organization of a single production cycle, which includes the cultivation of raw cotton, primary processing and its further processing at ginneries with the release of final products.

Experts have already created a draft Concept of development for the medium-term perspective of cotton-textile clusters, taking into account the experience of such facilities in Navoi region.

As many as 34 investment projects on modernization, technical and technological re-equipment of existing and creation of new enterprises with a total export potential of $151.7 million were realized this year in the light industry. At the same time, their total value exceeded $356 million.

Uzbekistan takes consistent steps to increase the volume of cotton fiber processing. In particular, it is planned to create 112 modern, high-tech industrial factories, expand, modernize and technologically upgrade 20 operating capacities. All this will increase the export potential of the industry up to $2.5 billion a year and create more than 25,000 jobs.

Currently, Uzbekistan continues to attract foreign investments for construction of textile enterprises in the country.

In the period 2010-2014, the textile industry of Uzbekistan received and spent foreign investments worth $785 million while 147 new textile enterprises with participation of investors from Germany, Switzerland, Japan, South Korea, the U.S., Turkey and other countries were commissioned. Export potential of these enterprises amounted to $670 millions.

In 2015, the textile industry increased production by 12.1% compared to 2014 - up to 8.939 trillion. The growth of production in the silk industry was 10.4%, the cotton - 7.0%, cotton - 22,7% , clothing - 13.5% and sewing industry of Uzbekistan increased production by 18.9% .

Source: yarnsandfibers.com- Dec 29, 2017

HOME

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## Pakistan fears cotton price hike internationally

The Karachi Cotton Association (KCA) held a meeting on Thursday where representatives of the All Pakistan Textile Mills Association (APTMA) and the Pakistan Cotton Ginners Association (PCGA) were present to discuss the issue of increasing the cotton crop in the country and improving the quality of cottonseed.

Shorter Pakistani crop during the period 2017 – 2018, than earlier expected, has seen domestic prices rise to higher levels.Traders said in Karachi that Pakistan may harvest a crop of 11.5 million bales (155 Kgs) during the current season 2017/2018.

The rise in International cotton prices in America is said to have gone beyond 79 cents per pound this week.Indian prices for the natural fibre has also sharply risen following the fatal pink bollworm attack on the crop in Maharashtra.

Yarn prices have also shown increase in recent months while the large spinning units are said to be faring much better. If the cotton demand continues to increase, local lint prices may rise.

There are several issues which could topple the global economy including a feared property and banking bubble in China, the missile crisis in North Korea and the inconclusive Brexit talks.

Source: fashionatingworld.com- Dec 29, 2017

HOME

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# NATIONAL NEWS

## Textiles, garment industry not out of the woods yet

2018 may turn out to be a challenging year for India's textile and garment industry, with exporters still reeling under the impact of GST and outward shipments likely to miss the USD 45 billion target for 2017-18.

Garment exporters have been demanding that the duty reimbursement to them be retained at the pre-GST (Goods and Services Tax) drawback rate of 7.5 per cent, amid declining outbound shipments.

India's apparel exports declined 39 per cent in value terms in October.

However, India's cotton production could touch 37.7 million bales in the year that began on October 1, up from 34.5 million bales produced in 2016/17.

The production of import substitute bivoltine silk in the country is expected to reach around 6,200 million tonnes (MT) in 2017-18 as compared to 5,266 MT a year ago, registering an increase of 19 per cent, according to the Textile Ministry.

Meanwhile, 2017 turned out to be a mixed bag for the textiles sector. While initiatives were unveiled for power loom units and weavers, the much-awaited new National Textiles Policy is yet to see the light of the day.

Towards the end of the year, a Scheme for Capacity Building in Textile Sector to boost skill development and job creation was launched with an outlay of Rs 1,300 crore. 10 lakh people are expected to be skilled and certified in various segments of Textile Sector through the scheme, out of which 1 lakh will be in traditional sectors.

The year also witnessed the first mega international trade event for the textile sector, which was inaugurated by Prime Minister Narendra Modi in Gandhinagar, Gujarat, on 30 June.

The event recorded participation from more than 100 countries and a total of 65 MoUs with an estimated value of over Rs 11,000 crore were signed during the exhibition.

India Handmade Bazaar, an online portal to provide direct market access facility to artisans and weavers, was launched in January.

In November, the Textiles Ministry notified post-GST rates under the scheme for Remission of State Levies (RoSL) on exports of readymade garments & made-ups. For garments, the rates range between 1.25 per cent and 1.70 per cent and for Made-ups, they range between 1.40 per cent and 2.20 per cent, with the rates effective from October.

The government also enhanced the rates under Merchandise Exports from India Scheme (MEIS) on readymade garments and made-ups from 2 per cent to 4 per cent. The rates will ve applicable between November 1, 2017 and June 30, 2018.

A comprehensive national policy covering all segments of the textiles sector is the need of the hour, to give a push to exports from the sector, which have remained stagnant for the past four fiscal years, mainly because of less demand in major markets such as the US, EU and China, and stiff competition from countries like Vietnam and Bangladesh which enjoy an edge over India.

Source: economictimes.com- Dec 29, 2017

HOME

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## Spinners bank on healthy cotton crop/demand and recovery: ICRA forecasts

As per a recent report by ICRA, domestic spinners are likely to see a gradual recovery in performance from Q4 FY2018 onwards, after facing multiple issues over past several quarters which resulted in their profitability touching six-year lows in the second and third quarters of current fiscal.

Mr. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA avers, “The improvement in performance of domestic spinners is likely to be aided by a downward bias in cotton prices amid healthy cotton crop and an upward bias in yarn realisations due to demand restoration.

While there has been an uptick in cotton prices in the recent weeks, ICRA believes the same to be an aberration in light of slower-than-usual arrivals in the leading cotton producing state of Gujarat owing to elections and concerns emanating from reports of pest attacks."

ICRA believes that the crop quantity and quality is unlikely to be impacted seriously because of the issues mentioned above and arrivals are forecast to pick up in Q4 FY2018.

So, domestic prices are likely to remain ~10-12 per cent lower than average cotton price during the twelve month period ending Sep 2017, close to the price floor of Rs. 105/Kg which factors in increased minimum support price and bonus declared in Gujarat.

"The scenario on demand front is also likely to be more conducive, supported by improved clarity on export incentives for textile goods during recent weeks, which in-turn is likely to support India's overall textile exports from Q4 FY2018 onwards.

With improved demand scenario, the yarn realisations are likely to witness some upward bias, though the increase will be limited due to low cotton price," Royadded.

The clarity on export incentives, which had been revised downwards post-GST created a transitory impact, is good for cotton yarn demand from export-oriented textile players in the downstream sectors and hence is likely to support demand restoration to an extent.

In addition, the cotton yarn demand is also expected to gather strength from restoration of domestic demand following the temporary disruption caused by the transition to the GST regime and higher exports to China, before re-launch of its cotton auctions in March 2018.

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Source: timesofindia.com- Dec 29, 2017

HOME

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# Trade body CAI maintains cotton crop size at 375 lakh bales for 2017-18

**Cotton Balance Sheet** (in lakh bales of 170 kg each)

| Supply | 2016-17 (P)* | 2017-18 (P)* |
|---|---|---|
| **Opening stock** | **36.50** | **30.00** |
| Crop | 337.25 | 375 |
| Imports | 27.00 | 20 |
| **Total Supply** | **400.75** | **425** |
| **Demand** | | |
| Mill Consumption | 265.00 | 275.00 |
| Consumption by SSI units | 27.00 | 30.00 |
| Non mill consumption | 15.75 | 15.00 |
| **Total domestic demand** | **307.75** | **320.00** |
| Available surplus | 93.00 | 105.00 |
| Exports | 63.00 | 55.00 |
| **Closing stock** | **30.00** | **50.00** |

Source: CAI

Based on the healthy market arrival trend of cotton so far, the Cotton Association of India has maintained the crop size for the 2017-18 season at 375 lakh bales (of 170 kg each) in its latest estimates.

This is despite the fact that reports of pest infestation mainly the pink bollworm affecting the crop in Gujarat, Maharashtra, Telangana and Karnataka among others.

However, CAI expects a decline in targeted exports of the fibre crop at around 55 lakh bales, down from earlier projection of 63 lakh bales on the recent firming trend in cotton prices.

"Since cotton rates have gone up in India by 10 per cent in the last one month, the earlier set target of cotton export of 63 lakh bales looks difficult now, hence cotton export figures have been reduced and revised from the earlier 63 lakh bales to 55 lakh bales," Atul S Ganatra, President, CAI, said.

## Higher prices, arrivals

Further, as the cotton prices have moved up in the country, the parity to import the fibre crop has increased.

As a result, the trade body sees an increase in imports and has revised the import figures from 17 lakh bales to 20 lakh bales this season.

Market arrivals of cotton in the first three months of the 2017-18 marketing season starting October are higher by around 43 per cent over corresponding last year.

Arrivals would have crossed 148 lakh bales by December 31 this year as against 108 lakh bales, based on the data gathered from each State.

The higher arrivals are despite the fact that major growing States including Maharashtra and Telangana reporting pink bollworm infestation.

CAI has announced cotton crop size of 375 lakh bales which looks achievable given the pace of arrivals this season, Ganatra said. CAI's estimate is marginally lower than the Cotton Advisory Board's recent estimate of 377 lakh bales for the 2017-18 season.

## Relief for spinners

Meanwhile, ICRA in a recent report said that domestic spinners were likely to witness a gradual recovery in performance from Q4 FY2018 onwards, after facing multiple headwinds over past several quarters which resulted in their profitability touching six-year lows in the second and third quarters of current fiscal.

"The improvement in performance of domestic spinners is likely to be aided by a downward bias in cotton prices amid healthy cotton crop and an upward bias in yarn realisations due to demand restoration.

While there has been an uptick in cotton prices in the recent weeks, ICRA believes the same to be an aberration in light of slower-than-usual arrivals in the leading cotton producing state of Gujarat owing to elections and concerns emanating from reports of pest attacks," said Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA.

ICRA believes that the crop quantity and quality is unlikely to be impacted considerably because of the aforesaid concerns and the arrivals are likely to pick up in Q4 FY2018.

Source: thehindubusinessline.com- Dec 29, 2017

HOME

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# Growth lessons: What India can learn from China

In 1950, both China and India were rebuilding their economies after a long period of war and unrest. Both independent, one communist and the other democratic. India was in much better shape, the largest economy in Asia, with a relatively sophisticated economic system. China went its own way, plunging into the chaotic and destructive Cultural Revolution and the Great Leap Forward.

By 1978, after the death of Mao, it was an economy going nowhere with a bloated population and great poverty. India had turned its back on its long history of capitalism and adopted a socialist economic model with state control. It grew only around 3.5% per year—with a population growing at 2.5%—unable to tackle challenges while it watched the miracle growth of Japan, Germany and South East India.

With government control, increasing corruption and increasing civil dissatisfaction, it too was going nowhere. In 1978, China opened up, inviting foreign capital, promoting its coastal areas for investment, freeing agriculture from state control, introducing a one-child policy and investing in infrastructure.

Today, it is a $12.5-trillion economy, the second largest in the world, and at $22.5 trillion in PPP, the largest economy. India opened up in 1991 after an economic crisis, grew impressively in $ terms at 8.8% per annum and is today a $2.5 trillion economy, way behind China.

What are the lessons from China's growth for India? China first focused on investment in labour-intensive industries to create jobs for its huge labour force—in textiles, garments, toys, light engineering and assembly, electronics, etc. It created special economic zones, whole districts next to the coast with different laws for business.

The massive increase in employment created the resources from increased consumption and taxes to invest in infrastructure. It enabled the growth of large firms which could invest. Its banks lent freely to state-owned enterprises, too. China had a decentralised economic model where the provinces made many economic decisions, granted incentives, marketed themselves and nurtured industries with almost no red tape. The key target was job-creation.

China invested massively in skill development and in her universities. It created very many new cities, promoted urbanisation and benefited immensely. China soon attracted over $1.5 trillion of FDI, becoming the factory of the world and the largest global importer and exporter.

Through mercantilist policies, it created a foreign currency kitty of over $4 trillion and managed its currency to keep its advantage. It used a sophisticated supply-chain through Hong Kong to dominate global trade. It shifted over 400 million people from the farm in villages to the city, into factories. It now boasts of some of the most sophisticated industries. India incentivised capital-intensive industries through its incentives and tax subsidies and discouraged job-creation.

Today, industry pays an effective tax rate of 25% in corporate tax while services sector pays 30%. It discriminated against large companies, reserving goods for the MSME. Its labour policies inhibit hiring and job-creation.

Labour-intensive industries like garments suffer from excessive tax and regulations and, over the last 25 years, India's labour-intensive industries have declined whereas it once had all the resources to dominate the world. India did not invest adequately in infrastructure, only 4.7% of GDP where the need was for 6.5%.

China over-invested, at 8.7%, while it needed only 6.5%. As a result India's supply-chain costs are at 14% of GDP creating a highly cost-uncompetitive economy while China is at 6% creating a competitive low cost economy.

The recent GST will remedy it somewhat, but huge investment in infrastructure is needed. India did not invest in her cities, discouraged urban planning depriving her cities of autonomy and good governance creating an urban crisis. It championed the romantic notion of rural villages, failing to understand that rapid urbanisation was the future.

The lessons for India are very clear. Incentivise and increase investment in labour-intensive industries to create more jobs. Remove restrictive labour regulations to increase job-creation. Allow firms to grow faster in all areas by de-reserving goods for MSME and making them grow bigger.

Reduce corporate taxes to 25% for all to increase internal generation of resources and reduce capital intensity by reducing depreciation rates. Incentivise job creation by special tax-breaks.

Increase investment in infrastructure to at least 6.5% of GDP, release investment resources by divestment in state-owned mature infrastructure assets. Improve productivity of ports, reduce power theft, improve speed on highways and in railways and reduce the cost of doing business by removing unnecessary regulations.

Keep a level playing field between Indian business and FDI. Allow investment in education by the private sector to improve skills and human capital, grant full autonomy to the top 200 universities to increase innovation.

Above all invest in India's cities, including in new cities. To promote rapid urbanisation which could enable delivery of civic services to improve quality of life, give freedom to cities and towns to govern themselves and create new jobs.

China has many lessons for us. Chinese companies will dominate the world in future. India should learn from the Chinese success as it is the only country with a 1.3-billion population which started off in 1950 with similar economic and social structures, and succeeded in dominating the world.

Source: financialexpress.com- Dec 30, 2017

HOME

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## Construction of Mumbai's 1st textile museum to start in Feb

The Brihanmumbai Municipal Corporation (BMC) will start building the city's first textile museum in February to document and archive Mumbai's textile legacy.

It will be built over 16.3 acres at the defunct United Mill compound in Kalachowki in Chinchpokli. BMC recently held a pre-bid meeting for the project's first phase and tenders will be floated soon.

Landscaping around a lake inside the compound and construction of an amphitheatre, a seating area overlooking the lake and a cafeteria are part of the first phase of the project, which will also include a musical fountain atop the lake and a laser show showcasing the old days of Girangaon, a top Indian daily reported.

A group of students from the JJ School of Arts in Mumbai has been roped in to design the architecture of the museum.

Source: fibre2fashion.com - Dec 30, 2017

HOME

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## E-way bill to boost GST compliance

*New system to spur revenues: Adhia*

The mandatory implementation of the e-way bill system from February 1 for all inter-State movement of non-exempted goods will help boost compliance under the Goods and Services Tax (GST) regime, according to Hasmukh Adhia, Finance Secretary.

"All we want to do is using information technology and a simple self-declaration saying you moved so much goods... be able to then ask so why didn't you file a GST return," Mr. Adhia said at a briefing on Friday. "Our intention is to make the filing of a simple e-way bill — which, either the supplier, the buyer or even the transporter can file – a habit that is adopted by everyone."

The July 1 implementation of GST has seen revenue collections from the new nationwide indirect tax falter in recent months and the Centre, already struggling with a wider than budgeted fiscal deficit, is keen to tighten tax compliance under the new regime.

The decision to advance the roll-out of the nationwide e-way bill system to February 1 is line with this objective.

## ‘No’ inspector-raj

Mr. Adhia sought to allay fears that the implementation of the e-way bill system would result in a return of ‘inspector-raj’ and said only in the initial period would a few random vehicles be stopped en route to check if the goods being transported were accompanied by an e-way bill.

Also, once a vehicle had been stopped and checked it would not face any further inspections along the rest of its route, even if it traversed multiple States.

The number of exemptions for complying with the requirement of an e-way bill was also extensive, including about 50% of the CPI (Consumer Price Index) basket of goods, he said.

Given the experience of States which had implemented similar e-way bills as part of the earlier VAT regime, there is clear evidence that tax collections jumped following implementation of the system.

“Some of these States had not only intra-State but they also had inter-State requirement of e-way bills. These States saw a 15% to 20% increase in revenue the year after they implemented it,” Mr. Adhia said.

About 15-16 lakh e-way bills are likely to be filed daily for inter-State movement of goods, with the combined number inclusive of filings for intra-State transportation estimated to be about 40 lakh, according to Prakash Kumar, CEO, GST Network.

Separately, Mr. Adhia said initial data on GST collections under the composition scheme — where small businesses self-declare turnover and pay a flat rate varying from 1% for traders to 5% for restaurants — had revealed “outright under-reporting.”

With 6 lakh returns filed under the scheme, the revenue receipts amounted to a paltry ₹251 crore.

Source: thehindu.com- Dec 30, 2017

HOME

*****************

# New highs in FDI inflow likely this year, in FY19

With government data showing that Foreign Direct Investment (FDI) worth $33.75 billion has already flowed into India in the first half of this fiscal, the country is poised to see FDI inflows in 2017-18 surpassing even the record $60 billion it received in the last financial year.

However, researchers have found 'severe' delays as well as 'serious' omissions and commissions in FDI reporting, and that these "problems were quite pronounced in the record-breaking year of 2016-17."

Meanwhile, consultants said the government would need to consider the enormous foreign investor interest in sectors such as Multi-Brand Retail Trade (MBRT), insurance and pension and look at ways to further open up these sectors. It also needs to tweak policies in segments such as pharmaceuticals, spend more money on improv infrastructure as well as addressing red-tape if it wanted India to attract even more FDI in the coming years.

**'Only 2% of global flows'**

Incidentally, according to CARE Ratings, "India fetched (a) mere 2% of the total world FDI inflows in 2016." It said India's share was "very low compared with the other peers", adding that "Hong Kong had a share of 5%, ...while Brazil witnessed inflows of 4% of the world's net FDI inflows."

A study initiated by the Institute for Studies in Industrial Development and conducted by Prof. K.S. Chalapati Rao and Prof. Biswajit Dhar, which analysed the reported inflows after September 2014, showed that "due to prevailing reporting practices and some deep flaws, the available aggregates are extremely unsuitable for drawing straightforward conclusions."

It said, "At another level, there is not much of a correspondence between the FDI policy changes, selection of thrust sectors under Make in India and the reported inflows," adding that "incidentally, the problems were quite pronounced in the record-breaking year of 2016-17."

The report further said, “besides [the government’s] ‘Ease of Doing Business’ [initiatives], there should be emphasis on ‘Ease of Doing Policy Relevant Analysis’ also.”

However, the NDA government made a comparison of FDI from the time it took over till now (2014-17) as against 2011-14 (during the UPA regime), and recently informed Parliament that FDI grew in aviation and mining (both, six times), automobile and auto-components (1.7 times), gems and jewellery (3.5 times), electronics and IT (4.4 times), information and broadcasting (1.9 times), sea transport and ports (6.8 times), as well as textiles and apparel (2.2 times).

Meanwhile, Deepak Bagla, MD and CEO, Invest India (the government’s investment promotion and facilitation agency), said the agency currently has $80.5 bilion worth of FDI proposals under “active facilitation,” adding that FDI in FY18 is likely to be about $70 billion.

In the next fiscal, significant levels of investments are expected from countries including the U.S., South Korea, Taiwan, Italy, Germany and the U.K. in sectors including food processing, railways, defence, infrastructure, automobiles and ‘Electronic System Design and Manufacturing’.

India could attract more FDI by further opening up sectors including insurance, pension, MBRT (retail trade in products manufactured in India) and pharma (liberal policy on over-the-counter medicines to boost local manufacturing capacity), besides addressing red tape and logistical problems, according to Akash Gupt, partner and national leader (regulatory services and tax markets), PwC India.

Source: thehindu.com- Dec 30, 2017

HOME

*****************

# Sharadha Terry launches Micro Cotton brand of home textiles in India

Coimbatore-headquartered Sharadha Terry Products has unveiled a new brand identity and logo for the 'Micro Cotton' brand of home textile products and reaffirmed its commitment to strengthen its presence in India.

Its Director, D Vikram Krishna, told BusinessLine that the company was one of the first from India to launch a brand in the home textiles product range as early as the late 1990s.

"We launched Micro Cotton in New York first. Our products are now sold across 30 countries worldwide. This re-branding reaffirms the evolution of the brand and our vision for the future, in the luxury home textiles product range."

Studies reveal that the Indian luxury market is worth over $18 billion, and growing at over 30 per cent year-on-year.

"Indian consumers have lots of exposure to international brands today. They have started to appreciate and endorse quality brands. We, therefore, feel it is the perfect time to carve a niche for our products here," he added.

The company has chalked out a roadmap to strengthen its presence in India. It is looking to sell the Micro Cotton product range in 20,000 retail outlets by 2020, a 10-fold increase from its present network of 2,000, through retail partners and modern trade outlets.

"We expect our sales revenue to touch ₹200 crore by 2020," Krishna said.

Sharadha Terry products range include bath, hair and wash towels, sports towel and all types of bed-linen, including bed sheets, comforters and blankets, among others.

Brand identity, logo

Krishna said the company had roped in Bengaluru-based Happy McGarry Bowen to do the creative work and invested close to ₹90 lakh, so far, in developing its brand identity and logo. "We have to start work on brand promotion," he added.

The company's production facility at Mettupalayam was upgraded recently.

This unit, along with another facility at Annur, is engaged in making towels, while sheeting is made at Sharadha Terry's sister concern in Perundurai.

To a query on its growth in 2017, Krishna said, "It has been a year of moderate growth for us.

We have grown at 5-8 per cent compared to the previous year. We are quite upbeat about the prospects for the coming year."

Source: thehindubusinessline.com- Dec 30, 2017

**HOME**

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