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# IBTEX No. 153 of 2017 July 26, 2017

USD 64.43 | EUR 74.99 | GBP 83.88 | JPY 0.58

## Cotton Market

| Spot Price ( Ex. Gin), 28.50-29 mm | | |
|---|---|---|
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19696 | 41200 | **81.68** |
| **Domestic Futures Price (Ex. Gin), July** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 20600 | 43090 | **85.43** |

| International Futures Price | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2017) | 68.97 |
| ZCE Cotton: Yuan/MT ( Sept 2017) | 15,625 |
| ZCE Cotton: USD Cents/lb | **84.03** |
| **Cotlook A Index – Physical** | **83.7** |

**Cotton & currency guide:** Cotton future on Tuesday advanced for ICE December to end the session at 68.83 cent/lb. This has been six consecutive trading sessions the price has moved higher.

The major reason for the price rise in last two days is the USDA planting report which showed drop in US crop condition. The drop overall was not expected and seemed to be mildly disputed.

Texas has the biggest mix of conditions and observers there say it is way too early to get a feel for the size of the crop. Some plantings were as late as July 11th. The fall, as always, remains critical to the outcome.

From China auction of Chinese state reserve cotton were approximately 79,146 bales.

Currency Guide:

Indian rupee depreciated marginally to trade near 64.4 levels against the US dollar. The US dollar is supported by upbeat US economy and rally in equity market to record high level.

We are also seeing position squaring ahead of FOMC decision today. However, supporting rupee is improved risk sentiment as is evident from gains in equity market.

Rupee may trade in a range of 64.25-64.55 but bias may be weak amid uncertainty about Fed.

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

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# INTERNATIONAL NEWS

## EU's apparel imports down two per cent in first four months of 2017

From January to April 2017 EU's apparel imports dipped 2.88 per cent. China's quantity-wise apparel exports to the EU dropped by 3.31 per cent.

Vietnam, Bangladesh and India too saw a drop in quantity-wise exports by 0.78 per cent, 1.76 per cent and 2.06 per cent respectively.

Weak euro and the fall of the sterling were the main reasons behind the decline. Falling demand is another reason. Retail stores are rapidly closing in Europe and renowned clothing brands are cutting their apparel quantities.

The increase in unit prices has also impacted EU imports negatively. There was also a rise in unit value realization, which indicated that the EU is importing apparel by paying more value to the exporting countries.

This change in retail landscape and consumer behavior is shifting demand from in-store shopping to online purchasing, making the EU a tech-driven market.

The EU is the second largest apparel importer in the world. In the second half of 2017 how the EU's apparel sector fares would depend on global economic conditions as well as trade policies across the world.

The transition from retail store to digital shopping might take some time to really build up and in the meantime demand for imports may rise or remain steady.

Source: fashionatingworld.com- July 25, 2017

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# US fashion retailers positive about business ahead

There are issues facing the US fashion industry. Only 36 per cent of executives expect to increase sourcing from Vietnam, compared to 56 per cent last year; this is likely due to the US' withdrawal from the Trans-Pacific Partnership.

Among all sourcing destinations examined this year, Bangladesh is considered the most competitive in terms of price—but also the riskiest in terms of trade compliance.

Free trade agreements remain underutilised; only the North American Free Trade Agreement (NAFTA) is utilised by more than 50 per cent companies. Ethical sourcing and sustainability are given more weight in sourcing decisions. The proposal for a border adjustment tax is unanimously opposed.

Fashion Industry Benchmarking did a survey of 34 executives from leading fashion and apparel brands, retailers, importers, and wholesalers.

The survey shows, majority of retail executives are optimistic about the five-year outlook for the fashion industry, however, the percentage has fallen from 92.3 per cent in 2016 to 71 per cent in 2017.

The survey asked respondents about the business outlook, sourcing practices, utilisation of free trade agreements and preference programs, and views on trade policy.

Executives are more concerned about trade protectionism, market competition from e-commerce, and supply chain risk than they are about costs.

Source: fashionatingworld.com - July 25, 2017

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# Pakistan exported worth $2.136 billion ready-made garments in last fiscal year

During 12 months of financial year, 2016-17, about 34,785 thousand dozen of readymade garments worth US$ 2.316 billion exported as compared the exports of 32,775 thousand dozen valuing US$ 2.196 billion of same period last year.

During previous year, 353,108 metric tons of bedwear valuing US$ 2.133 billion exported as compared the exports of 328,875 metric tons worth US$ 2.19 billion of the same period of last year.

According the data of Pakistan Bureau of Statistics, the bedwear exports from the country in period under review grew by 5.65 percent.

However, exports of knitwear decreased by 0.07 percent as it was recorded at 113,200 thousand dozen valuing 2.36 billion against the exports of 112,459 thousand dozen worth of 2.363 billion of same period of last year.

In 12 months of previous financial year about 182,873 metric tons of towels costing US$ 786.606 million were exported as compared the exports of 184,479 metric tons of US$ 802.966 million of same period of 2015-16, hence showing negative growth of 2.4 percent.

Meanwhile, country earned US$ 42.825 million by exporting 24,976 metric tons of raw cotton as against the 49,315 metric tons valuing US$ 76.631 million of same period last year.

In financial year 2016-17, exports of cotton carded or combed grew by 62.7 percent as cotton combed worth US$ 235,000 exported as compared the exports of US$ 145,000 of same period last year.

It may be recalled here that during last financial year textile group exports recorded 0.4 percent growth as compared the same period of last year.

Textile goods worth US$ 12.452 billion were exported in 12 months of financial year 2016-17 as compared the exports of 12.447 billion of same period last year.

Source: dnd.com.pk- July 25, 2017

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## Does a miracle trade deal now spell trouble for Turkey?

Turkey's manufacturing sector has come a long way in the past two decades – transitioning from being a supplier of basic knitted garments and vegetables to becoming a regional powerhouse that exports high-tech electronic appliances and automobiles.

This transformation of a country that was once known primarily for its architecture, palaces, and Ottoman history, coincided with the deepening of ties with the European Union.

And the most important aspect of that relationship has been the agreement known as the Customs Union (CU), which governs the trade of manufactured goods between Turkey and the EU.

"The customs union with the European Union is Turkey's biggest achievement in the last 30 years," says Professor Emre Gonen of Bilgi University. "I don't want to exaggerate but it's a matter of life and death for us."

The agreement was the culmination of a long wait for Turkey to be part of the single European market.

It basically eliminated tariffs on the trade of goods. That means cars, precision instruments, yachts, jeans and refrigerators, could move freely across the border with the EU.

Since the early 2000s, when the effects of the CU started to trickle in, Turkey's global exports have more than quadrupled, increasing from $31 billion in 2001 to $142 billion last year.

European companies have invested billions of dollars in manufacturing hubs in Bursa and Istanbul, bringing with them not just the technology but also world-class manufacturing standards.

But now the landmark deal faces problems. The EU has been signing Free Trade Agreements (FTA) with other countries, including Japan, without having any input from Turkey whatsoever.

**What does that mean?**

That makes it easier for Japanese cars and appliances to be imported without any duties not just into the EU but also Turkey – because of the CU. While the European firms will in turn get similar preferential access to Japan, Turkish goods won't get the same benefits, since Ankara is not part of the 28-country grouping.

The answer as to how the Turkey-EU deal reached this point lies in its history.

**The Ankara Agreement**

In 1963, Turkey and the former European Economic Community negotiated the terms of what came to be known as the Ankara Agreement. It marked the start of talks to integrate the Turkish economy into its European neighbours.

"At that time the European project was an economic one," says Dr Erdal Yalcin, an economist for Ifo Institute, a Germany-based think-tank, who has studies the CU extensively.

"But Turkey wasn't a priority for them. So it took many years for the customs union to actually materialise." The agreement was finally signed and became operational in the mid-90s. But by then, Turkey was going through economic turmoil with runaway inflation and failing banks.

"Having the agreement alone wasn't enough. The benefits actually started to kick-in after a single party government was formed in 2002."

What happened next was remarkable, he says.

The bilateral trade between Turkey and the EU rose substantially, jumping from $37 billion in 1996 to over $156 billion by 2014.

At first, European and Turkish manufacturers mostly focused on tapping each other's market. Gradually, the multinationals from Germany and other countries started to invest in setting up manufacturing plants in Turkey.

Besides lowering trade tariffs, the CU integrated Turkish companies into the EU, making sure both regions had the same quality of goods and employment regulations.

"The Customs Union is the backbone of the integration with the European Union regarding the economy, the competition policy, [and the] requirement of production standards," says Gonen of Bilgi University.

As Ankara adopted the stringent European standards, it opened the doors for European firms to manufacture goods in Turkey, where the labour cost was comparatively low, and then export them back to the EU.

The German industrial giant Bosch is an example.

"Bosch makes intermediate goods like components for automotive engines. Then, it exports them to Mercedes and BMW plants in Germany from Bursa where it has invested heavily," says Ifo Institute's Yalcin. Another example of how the deal has benefited local firms is the appliance maker Arcelik, one of the leading regional brands. It expanded rapidly in Europe after the CU came into effect.

The company, which is part of the family-run Turkish conglomerate Koc Holdings, also signed an agreement worth 100 million euros with the European Investment Bank to finance its research and development activity.

## What went wrong?

The CU was a stepping stone for Turkey's eventual inclusion into the EU. Those talks progressed slowly and have almost come to a standstill since Ankara was granted candidate status in 2005.

Without being a member, Turkey has no say in what Brussels negotiates with other countries. When that involves business and trade, the implications for Turkey can be severe.

The CU allows duty-free trade between EU and Turkish goods. But in case the EU signs a free trade pact with another country outside of the EU, like it did with Algeria, for instance, then the Algerian goods can enter the Turkish market as well.

This same preference is not accorded to Turkish goods.

"This is unfair because products from these [third] countries can enter Turkey via Europe without paying any duties, while Turkish exporters do not get the same terms," says Mehmet Buyukeksi, the Chairman of Turkish Exporters Assembly.

The EU has more than 30 active FTAs with various countries — all of which can send goods to Turkey without bothering about taxes.

Buyukeksi says problems for Turkish manufacturers extend beyond tariffs at the border, "We face transport quotas. Our freight trucks are not allowed to move freely. For instance, Austria doesn’t allow our trucks on the highway.

The repercussions of EU's new FTAs could be far-reaching. Turkey leads Japan in car exports to the EU market, according to Turkey's Association of Automotive Parts and Components Manufacturers.

Tokyo's main thrust is to increase car exports to the EU, which in turn sees in the Asian country a market for its cheese, meat and agricultural products.

The two sides account for 40 percent of global trade.

The only way Ankara has to bypass the problem is to sign a parallel FTA with those countries. "That is where the problem lies. When a country already has access to Turkish market why would it reduce tariffs for Turkish goods?" says Yalcin of the Ifo Institute.

The Turkish government is pushing for an amended CU deal, which also covers services, e-commerce and public procurement. While there are no taxes on Turkish agricultural products, exporters face non-tariff barriers such as transit fee for trucks.

"The customs union is the foundation of Turkey's economic relationship with Europe, but the current arrangement is broken," wrote Turkish economy minister Nihat Zeybekci for Bloomberg in April.

He also said Turkey is exploring other options.

"If the EU will not renegotiate the customs union, as it should, Turkey will find the means to offset trade diversion, whereby Turkish goods are rendered less competitive by EU free trade agreements."

Source: trtworld.com- July 25, 2017

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## Central America Looks to Surpass Asia for Affordable Quick Response

Central America's advantages as a sourcing destination generally outweigh its disadvantages as the region tries to solidify its position as an alternative to Asian sourcing.

The pros – locale, quick response capability and duty-free status – and cons – political uncertainty, lack of uniformity and growing wage rates – were debated in a comprehensive panel discussion at the Lenzing seminar series at the Jacob K. Javits Convention Center on Wednesday.

Mark D'Sa, special project director at the Center for the Facilitation of Investment of Haiti, said, "The biggest advantages are the flexibility for rules of origin, proximity, the ability to react faster and produce quick response, and competitive labor. This is something that very few other places can offer."

D'Sa said one factor for U.S. brands and retailers that cannot change is geography – estimating three-and-a-half to five days ocean shipping time to the U.S., a growing "verticality" in the region, such as cotton yarn capability expansion in Costa Rica and filament yarn capacity investment in Honduras, leading to the ability to produce 300 million more garments a year in Central America.

"The gap is closing," with Asian manufacturing," he said, "that redundancy is increasing and Central America is becoming more important to American retailers and brands such as Nike, Lululemon, Under Armour and Gap that are bringing more manufacturing back to Central America and to Haiti."

D'Sa noted that the "Amazon factor" of on-demand ordering from consumers and e-commerce brands is also changing the way companies think about their sourcing and Central American and Caribbean Basin countries are positioned to serve that need "if they add data and data analytics to their supply chain and production."

David Adkins, commercial manager of textiles for North and Central America at Lenzing Fibers, said he is working with brands and retailers to explain the region's capabilities and advantages. "They are looking for more differentiated product for producers in the region beyond the basics," Adkins said.

Lucia Palacios, marketing and promotion manager for Vestex in Guatemala, cited the region's ability to react quickly to fashion trends with smaller, nimble factories that can handle smaller runs of fabric and yarn types, as well as the foundation of local value-added materials, as opposed to imported yarns and fabrics from the U.S., as attractive sourcing qualities.

The key aspect of duty-free status of finished goods imported from countries that are part of the Central American Free Trade Agreement – Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, and under Haitian trade preference programs, representing an average 33% savings, was cited by the panelists.

Moderator Edward Hertzman, founder of Sourcing Journal, noted that under the "yarn-forward" rule, those imports must contain fabric from the CAFTA countries or the U.S. to be eligible, although Haitian imports can use foreign fabrics or yarns.

Palacios also noted that goods from Guatemala and other Central American countries can qualify for duty-free status if the items are part of a "short supply list" compiled by the U.S. that consists of items not readily available from domestic suppliers, as well as single transformation items such as underwear.

Diego Cuenca, sales agent for Mercados Internacionales in El Salvador, said, “Government politics have somewhat affected the textile industry in the country and throughout the region.”

He noted a 13% increase in the minimum wage, for example, has had an impact on manufacturers trying to compete globally.

“Central America is an underdeveloped region and there is some political instability, but we were more hesitant and concerned about what was going to happen with the new president in the U.S. than we were in El Salvador or Central America,” Cuenca said.

“It’s true, we’ve seen different governments and changes over the years, but we’re still in business, we’re still selling,” he continued. “It’s more what’s going to happen in the U.S. market and what type of treaties and what type of politics that Trump administration will come out with that’s going to affect us more than the actual politics of each of the countries of Central America. Thankfully TPP was not approved, so that gives us a push and reason to be optimistic.”

Palacios said the U.S. is 80% of Guatemala’s exports, so now that President Trump has pulled out of the Trans-Pacific Partnership, she hopes Chinese investors will look toward the country and region instead of Vietnam.

Adkins said what’s needed is investment in equipment and training to run them, achieve better warehousing in the region and greater product development between players in Central America.

D’Sa said the region needs to build better linkages between countries and suppliers to better take advantage and grow capabilities. He said CAFTA reached $8.5 billion in industry exports in 2015, paling in comparison to some of the Asian giants.

“For this region to grow to $15 billion or $20 billion, the countries have to work together and develop a regional strategy,” he added.

Source: sourcingjournalonline.com- July 25, 2017

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## Bangladesh – A market for Sri Lankan investors

Sri Lanka and Bangladesh are two countries that continue their friendly relationship for a long time in the economic and political areas, especially as members of the South Asian Association for Regional Cooperation (SAARC) dedicated to South Asian cooperation. Recently, President Maithripala Sirisena visited Bangladesh further strengthening the bilateral ties between the two nations.

It is of the importance that attention was paid to triple the bilateral trade, which values at US $ 142 million and has potential to be boosted. For this purpose, there must be mutual understanding economically and politically between the two countries, in addition to the free trade agreement (FTA), for which two high commissioners had discussions a few months ago.

Bangladesh is also a country that exports apparel to the global market but has not been able to secure GSP Plus that Sri Lanka currently enjoys, mainly due to the labour rights issues in Bangladesh. Hence, we are able to export apparel to the European market at cheaper rates than Bangladesh can.

However, the cheap labour in that country has been the main attraction for apparel investors to come to the country. It is labour in Sri Lanka that is no longer cheap and the apparel industry has been suffering from the lack of sufficient labour, which has to be considered a key factor for boosting apparel exports by tapping GSP Plus.

Even though it is also an agricultural economy like ours, its economy has taken roots into other areas such as the pharmaceutical, apparel, shipbuilding, steel and leather industries, information technology and finance sector backed by its rural economic model with one of the best-performing stock markets in Asia during the period from 2009 to 2010, until it crashed in 2011.

According to the Asian Development Bank (ADB), Bangladesh's gross domestic product (GDP) growth accelerated to 7.1 percent in 2016 from 6.6 percent in 2015, when Sri Lanka's economic growth in 2016 was at 4.4 percent, lower than 4.8 percent in 2015.

Sri Lanka imports from Bangladesh pharmaceutical products, electrical machinery and equipment, edible vegetables and roots, apparel and clothing accessories, iron and steel, textile fibres, chemicals, sacks and bags, toilet and facial tissues, cellular phones and bicycle parts, when Sri Lanka exports to Bangladesh textiles and textile articles, enzymes, chemicals, minerals, plastics, rubber products, paper products and tea.

Even though the goods are traded at a significant level, the emphasis has to be given to increase the trade volume and further diversify the product range benefitting both countries.

What is the most important under these circumstances is that for the past few years, the Sri Lankan blue chips have been keeping an eye on the market in Bangladesh and investing in banking, energy and apparel industries, the key areas of an economy. It is reported that the Bangladeshi businesses were also invited to invest in Sri Lanka during the president's visit.

Two countries are also planning a trade deal and a special economic zone. Moreover, two nations signed 12 agreements covering economic co-operation, quality standards, agriculture, information technology, radio and television, shipping, setting up a Foreign Service officers training centre and a deal on an apparel firm.

It is obvious that these agreements signed during the visit will create good market opportunities in the future, which the business communities from both countries have to be prepared to harness. In my opinion, signing an FTA will pave the way for strong trade relations, establishing its role as a friend, trading partner and neighbour in the South Asian region.

Source: dailymirror.lk - July 24, 2017

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# US cotton exports touches 50 years record

Exports of US cotton are at the second highest level in 50 years. Exports of raw cotton through mid-May were 65 per cent higher. Vietnam is the top buyer of US cotton. This position was held by China until it began to sell off large cotton reserves some years ago.

But as stocks shrink, China is expected to regain its top buyer status. The other top buyers of US cotton are Turkey, Indonesia, Mexico, India, Pakistan, Korea, Bangladesh, and Thailand.

US cotton had a huge year in India and Pakistan. US exports to India were at the largest level in 17 years. Much of it was extra-long staple Supima cotton.

New cotton varieties and genetics combined with grower management tools have provided higher yields and improved fiber quality.

The US hopes to export 20 million cotton bales by 2020. It will drive export growth of US cotton through fiber, yarn, or value-added cotton products.

US cotton is marketed as premium cotton, as higher quality fiber than other cotton grown worldwide.

However, the industry continues to deal with low fiber prices and other issues that threaten the future. There are significant lint differences between lowest- and highest-yielding varieties.

Source: fashionatingworld.com- July 25, 2017

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# Fusion wear gaining popularity in women's fashion

The EU, which is Sri Lanka's biggest export destination, absorbing 36 per cent of total shipments, reinstated the country into the GSP Plus program in mid-May, removing import tariffs on more than 6,000 products, including clothing.

Sri Lanka was dropped from GSP Plus in 2010 for human rights violations but remained in the less-favourable GSP program, under which its exports were taxed at 9.6 per cent. That had had an impact. Total apparel exports fell from $4.7 billion in 2014 to $4.6 billion in 2015 and 2016, according to the Joint Apparel Association Forum, an industry body. Exports to the EU in 2014 stood at $2.1 billion, but dropped to $1.9 billion in 2015 and 2016.

The slump has continued in 2017, with apparel exports falling another 5.8 per cent in the first five months, compared with the same period in 2016. But JAAF adviser KJ Weerasinghe says they can now receive at least an additional $400 million worth of orders from the EU initially, which will increase further, after regaining GSP Plus.

Retailers, says it would not be possible to meet the government's target of doubling exports by 2020, although 2022 could be a possibility. Analysts say that Sri Lanka needs to do more to catch up with countries like Bangladesh, which is now the world's second-largest clothing exporter after China. Bangladesh accounts for 6.4 per cent of global clothing exports, compared with Sri Lanka's 1.2 per cent.

## Upgradation is the key

Sri Lanka has fallen behind in terms of value chain creation. Bangladesh, for example, has set up spinning mills and knitting mills, which allow manufacturers to cut production costs and improve efficiency. This also puts Bangladesh in a good position to sell large volumes of cheaper apparel such as knitwear, woven shirts, sweaters and sweatshirts.

Amit Gugnani, analyst, Technopak Advisors, points out Sri Lanka must adopt a similar approach to developing value chain capabilities. In complete integration, it becomes relatively easier to look at cost engineering across the value chain.

The government should set up textile industrial clusters in the country's north and east by providing investment incentives, as part of the value chain creation.

Another aspect of making production cheaper is to concentrate on remote and backward regions. Wages in Sri Lanka are typically higher than in Bangladesh and Vietnam, making the country better suited to producing high-end garments such as swimwear, trousers and underwear, including lingerie for top brands such as Victoria's Secret.

As per World Bank's ‘Stitches to Riches’ report, the minimum monthly wage in Sri Lanka is $120, compared with $70 in Bangladesh. Sri Lankan labour laws also limit factory workers to 57.5 hours per week, with fixed weekly holidays. This compares with Bangladesh's working limit of 60 hours and Vietnam's 64 hours.

**Controlling costs**

It's important for Sri Lanka to look at providing lower minimum wages in backward and remote regions where the cost of living is comparatively lower. The industrial clusters in these regions can focus on basic products with minimal value addition and large volumes, Gugnani fee;s. To cut production costs further, JAAF has requested exemptions from Sri Lanka's 2 per cent nation-building tax and a 7.5 per cent port and airport development tax on the importation of machinery for the sector.

As per Anushka Wijesinha, Chief Economist, Ceylon Chamber of Commerce the country must also focus on becoming an easier place to do business. For a more sustainable and sustained increase it needs to focus on competitiveness and factors that hold exporters back – like standards, bureaucratic and procedural delays.

The government must help exporters test products to meet international standards. He urged the government to remove archaic laws such as the need to obtain permits for each shipment. Sri Lanka is ranked 110th among 190 economies in terms of the ease of doing business in 2016, slipping one place, according to the latest World Bank annual ratings.

Experts say Sri Lanka should explore the idea of exporting more and must look at consolidating its position, and not only focus on higher-end and value-added garments.

Source: fashionatingworld.com - July 25, 2017

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## RMG export: GSP plus not enough for Lanka to catch up with Bangladesh

Despite a recent move by the European Union to restore Sri Lanka to its highly favorable Generalized System of Preferences Plus programme, the country will find it hard to catch up with Bangladesh, which has powered ahead in textile and apparel production in the last few years.

Analysts say that Sri Lanka needs to do more to catch up with countries such as Bangladesh, which is now the world's second-largest clothing exporter after China.

Bangladesh accounts for 6.4 per cent of global clothing exports, compared with Sri Lanka's 1.2 per cent, according to a report by http://asia.nikkei.com

Production and labor costs remain high compared to competitors, and analysts are skeptical that the government will be able to meet its goal of doubling exports by 2020.

The EU, which is Sri Lanka's biggest export destination, absorbing some 36 per cent of total shipments, reinstated the country into the GSP Plus programme in mid-May, removing import tariffs on more than 6,000 products, including clothing.

Sri Lanka was dropped from GSP Plus in 2010 for human rights violations, but remained in the less-favorable GSP programme, under which its exports were taxed at 9.6 per cent.

That had had an impact. Total apparel exports fell from $4.7 billion in 2014 to $4.6 billion in 2015 and 2016, according to the Joint Apparel Association Forum, an industry body.

Exports to the EU in 2014 stood at $2.1 billion, but dropped to $1.9 billion in 2015 and 2016. The slump has continued in 2017, with apparel exports falling another 5.8 per cent in the first five months, compared with the same period in 2016.

But JAAF adviser K. J. Weerasinghe is fairly optimistic: "We are confident we can now receive at least an additional $400 million worth of orders from the EU initially, which will increase further, now that we have regained GSP Plus," he said.

Weerasinghe, and some retailers, said it would not be possible to meet the government's target of doubling exports by 2020, although 2022 was a possibility.

Part of the reason for this is that Sri Lanka has fallen behind in terms of value chain creation. Bangladesh, for example, has set up spinning mills and knitting mills, which allow manufacturers to cut production costs and improve efficiency. This also puts Bangladesh in a good position to sell large volumes of cheaper apparel such as knitwear, woven shirts, sweaters and sweatshirts.

Amit Gugnani, an analyst at Technopak Advisors, a management consulting company, said Sri Lanka must adopt a similar approach to developing value chain capabilities. "In complete integration, it becomes relatively easier to look at cost engineering across the value chain," he told the Nikkei Asian Review.

Gugnani also suggested that the government should set up textile industrial clusters in the country's north and east by providing investment incentives, as part of the value chain creation.

Another aspect of making production cheaper is to concentrate on remote and backward regions. Wages in Sri Lanka are typically higher than in Bangladesh and Vietnam, making the country better suited to producing high-end garments such as swimwear, trousers and underwear, including lingerie for top brands such as Victoria's Secret.

According to the World Bank's "Stitches to Riches" report, released in April 2016, the minimum monthly wage in Sri Lanka is $120, compared with $70 in Bangladesh.

Sri Lankan labor laws also limit factory workers to 57.5 hours per week, with fixed weekly holidays. This compares with Bangladesh's working limit of 60 hours and Vietnam's 64 hours.

Source: thefinancialexpress-bd.com - July 24, 2017

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## Pakistan: Trading at cotton market improves

Trading activity at the Karachi Cotton Exchange showed improvement on Monday, while spot rates increased Rs50/maund to Rs6,350/maund (37.324kg) and Rs6,805/40kg. Ex-Karachi rates also increased to Rs6,485/maund and Rs6,950/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

KCE recorded eight transactions of around 4,000 bales of the new crop from Sindh and Punjab at a price of Rs6,350 to Rs6,500/maund.

Of these, 400 bales of Mirpurkhas, 100 bales of Jhole, 200 bales of Sinjoro, 66 bales of Sanghar, 400 bales of Tando Adam, 1,200 bales of Shahdadpur, 300 bales of Chichawatni and 400 bales of Burewala were traded in the market.

While, at the Karachi Cotton Association on Monday the official spot rate, or base price was fixed for Grade 3 cotton at 6,805 rupees per maund (40 kg).

Grade 3 cotton has a staple length of 1-1/16" and micronaire value between 3.8 and 4.9 NCL (no control limits), which represents fine to coarse classes of cotton varieties.

In the kerb market, the key crop varieties traded in the range of 6,350 to 6,500 rupees per maund.

According to an analyst, cotton arrivals remained lower than demand in the market that resulted in an increase in prices.

Source: yarnsandfibers.com - July 25, 2017

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# NATIONAL NEWS

## Trends in Indian Cotton : Getting back with an edge in the global market

*Without being affected by inconsistent weather conditions, the cotton sector is assertive of a 12 pc increase in production during 2017-18. And with the Indian textile industry estimating cotton production at 380 million bales against 340 million bales last year, the domestic and international cotton yarn demand has also revived.*

Since the Indian textile industry is primarily cotton-centric, the presence of the fibre is dominant in the Indian economy. India is among the largest producers and exporters of cotton with the textile industry contributing approximately four pc to the Gross Domestic Product (GDP), 14 pc to industrial production and 15 pc to total export earnings.

The export of raw cotton from India has witnessed a significant increase in past years, along with decreased cotton imports into the nation. The country is now the second largest textile and clothing exporter in the world, contributing around 5 pc to the global textile and clothing trade. So much so, various international clothing brands including Gap, H&M, Levi Strauss, Marks & Spencer, Nike, Reebok and Tommy Hilfiger, among others, import Indian textile products.

And as the Chinese cotton auction started at a 25 pc premium over the prevailing fibre rate in India, Indian exporters are holding high hopes on a revival in cotton yarn exports.

During the last 16 years, area of cotton production has doubled with about 10 million farmers producing cotton in India. Without being affected by the inconsistent weather conditions, the cotton sector is assertive of a 12 pc increase in production during 2017-18. The Indian textile industry is also estimating cotton production at 380 million bales against 340 million bales produced last year.

"We expect India's 2017-18 cotton production to be more by about 10 pc to 12 pc this year. It may hit 380 million bales from 340 million", said Sandeep Bajoria, chairman, All India Cottonseed Crushers' Association, according to an Indian daily.

However, though the country produces good quality cotton, it is sold at a discounted price because of unwanted constituents and contaminants.

Thus, during the Textiles India 2017 meet in Gujarat earlier this month, ways to popularise aspects of environment-friendly cotton based textiles, threats that cotton sector faces from other fibers, improving per hectare yields of cotton, and reducing contamination, were discussed along with the importance of using biotech and better irrigation and mechanisation in the textile industry.

For the cotton industry to regain its edge, grouping of cotton cultivars based on quality is essential to permit cultivars to grow cotton based on economic regions. Also, the concept of group-farming for uniform collection of cotton would also be helpful via reducing the strain on logistics in the cotton value chain.

“India is emerging as a favourable destination for Latin American countries as they want to reduce their dependence on Chinese markets for imports and are looking towards diversifying their markets,” said R Vishwanathan, marketing consultant, former Indian Ambassador.

During April–December 2016, India’s cotton yarn exports slumped by 12 pc to 872.19 million kg from 987.21 million kg in the corresponding period last year.

However, cotton yarn exports from India rose by a marginal 4.29 pc at 1,307.11 million kg for the financial year 2015-16 from 1,253.33 million kg for the previous year.

Source: fibre2fashion.com- July 24, 2017

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# SGCCI wants heavy import duty on Chinese fabrics

Southern Gujarat Chamber of Commerce and Industry (SGCCI) and Pandesara Weavers' Coooperative Society Limited jointly submitted a representation to the ministry of commerce and the Confederation of Indian Industries (CII) demanding imposition of import duty on Chinese fabrics to protect the small and medium enterprises in Surat.

The SGCCI has raised concerns that import of heavily under-invoiced fabrics from China has crossed Rs 5,500 crore in the last one year, but could be worth Rs 10,000 crore.

SGCCI president P M Shah said, "The Government of China provides heavy subsidy to its textiles industry. We have provided a detailed list of the benefits enjoyed by the textile entrepreneurs in China.

This further reduces the production cost per unit in China. Thus, it has become difficult for the powerloom weavers to survive here."

Pandesara Weavers' Coooperative Society Limited president Ashish Gujarati said, "The quality of fabrics imported from China are made of man-made and synthetic fibres as cotton is expensive in China compared to India. This fabric has caused a surge in demand to India's SMEs in Surat. The imported fabrics are heavily under-invoiced and, as such, would be worth Rs10,000 crore."

Gujarati stated that India despite having production capacity has lost out on production leading to massive unemployment. Imports of fabrics are taking place at unit price of Rs 5 to Rs 15 per square metre.

This price is unbelievably low for any kind of fabric as a simple handkerchief costs more than Rs 5 per piece in the market. Therefore, the cost of fabrics should be at least Rs 50 per metre. There should be immediate steps undertaken to stop clearance of undervalued fabrics."

"Immediate steps are therefore needed to stop imports of fabrics by increasing import duty and further imposing specific duty on all kinds of man-made fibre-based fabrics.

There are some tariff lines in a fabric which does not have specific duty and import of fabrics should be allowed only under automatic advancement scheme for actual users," Gujarati added.

Source: timesofindia.com- July 26, 2017

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## Commerce Secretary: Looking at measures in FTP to support exporters

The commerce ministry is looking at measures to be announced as part of the review of the foreign trade policy (FTP) to boost exports, Commerce Secretary Rita Teaotia said on Tuesday. She said that the review of the policy is now almost coming to its logical conclusion and the exercise will be completed by September.

“We are looking to see what are those measures by which we can actively support the exporting community,” she said here. She was speaking at the curtain raiser event of a mega international food and beverage trade show 'Indus Food', to be held in January next year at Greater Noida.

The secretary said although Indian exporters continue to participate in international events, organising a big show in India would give a large platform to domestic players to interact directly with global buyers. About 400 participants from 35 countries are expected to participate in the two-day show starting from January 18 next year.

The Trade Promotion Council of India (TPCI) is organising this show with the ministry. “The show will give an opportunity to Indian exporters to showcase their wide range of products in the food sector,” she added.

Food and beverages is a $33 bn/ year business globally. The show will create a marketplace for Indian products to showcase to global buyers. When asked about increasing non-trade barriers in the sector, she said this is reality in the global market place today but the Govt is helping exporters to deal with such hurdles.

Source: dailypioneer.com- July 26, 2017

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## GST norms eased for textile job work, no registration for smaller units

The Ministry of Textiles has clarified that GST registration is not required for job workers/ job units whose annual turnover does not exceed Rs 20 lakh. The ministry has also warned of action against master weavers who insist small job units must themselves GST registered.

The development comes after the ministry received various notices and representations from job workers saying that a few master weavers and grey cloth traders are insisting job workers and job working weaving units with turnover of less than Rs 20 lakh get themselves GST registered.

J L Balakumar, deputy director and officer-in-charge at the Ministry of Textiles said that GST registration is not required for job workers and job working units in case of their annual turnover (intra-state) does not exceed Rs 20 lakh, since there is a threshold exemption limit of Rs 20 lakh under GST.

Therefore, if master weavers or grey cloth traders insist on GST registration, the office will be constrained to take suitable action against them, Balakumar said in a circular signed by him.

P Kumaraswamy, secretary of the Coimbatore District Job Working Powerloom Unit Owners' Association said that the notification comes as a great relief for powerloom units, which were under pressure from master weavers.

He noted, there are around 600,000 powerloom units in Tamil Nadu alone, but 80 per cent of them achieve a turnover of about Rs 10-12 lakh only.

"They (master weavers) have been insisting for GST registration, so we took up the matter to the Ministry and now it has been clarified," said Kumaraswamy, adding that the sector continues to be under pressure post GST implementation.

Kumaraswamy noted only 20 per cent of the units post GST are working, with very little job work flowing in from the master weavers, who are sitting with huge stocks they they aren't able to dispose due to non-availability of proper bills.

"We hope that everything will come back to normal within the next two months. GST is a good thing, it would help to streamline the system in the long run," said Kumaraswamy.

Source: business-standard.com- July 25, 2017

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## Punjab vows to save cotton crop from whitefly pest

Captain Amarinder Singh, chief minister of Punjab has asked the agriculture department of the state to launch a campaign for preventing damages to the cotton crop caused by whitefly pest. About 500 scouts and 50 field supervisors are conducting surveys twice every week in the cotton producing areas of the state to assess the threat from the pest.

An inter-state consultative and monitoring committee has also been set up under the chairmanship of the vice-chancellor of the Punjab Agricultural University (PAU) to keep a close eye on the issue. The committee includes scientists from Rajasthan and Haryana and it has already conducted four meetings, as per an official spokesperson.

The scouts are surveying close to 1,000 villages and are responsible for 2 villages each. Research fellows have also been appointed to help PAU.

The agriculture department had also launched a weed control campaign back in February and formed pest surveillance team on district and block levels to surveys on a weekly basis, according to media reports.

PAU has also started awareness programmes and is organising training camps at village, district and block levels during the cotton season. Various demonstrations are also being carried out for farmers to make them familiar with new technologies that can help them combat whitefly pest.

Close to Rs 624.7 crore has been allocated for various schemes to protect the cotton crop from whitefly and all other types of pests.

The area under cotton cultivation has increased from 2.85 lakh hectares last year to 3.82 lakh hectares this year in Punjab.

Source: fibre2fashion.com- July 25, 2017

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## Textile transporters 'Won't supply goods without e-way bill'

Textile goods transporters who deliver fabrics, saris and dress material from the city to traders in Uttar Pradesh and Bihar, have unanimously decided not to transport goods without form 402 and e-way bill of the sender and receiver from Wednesday.

A decision to this effect was taken by Surat Textile Goods Transporters' Association (STGTA) at a meeting held here on Tuesday. STGTA office-bearers stated that Uttar Pradesh and Bihar governments have issued a circular stating that the goods coming from other states without form 402 and e-way bill will not be allowed to enter and that the transporters will have to pay penalty and face jail term under Goods and Services Tax laws.

STGTA president Yuvraj Deshle said, "There are many traders who are not conforming to GST laws. Ultimately, the transporters will be held responsible and end up paying penalty and facing jail term. Uttar Pradesh and Bihar governments will become strict from Wednesday.

Thus, the transporters have decided not to transport the goods without e-way bill and form 402." Around 700 trucks are loaded with goods on a daily basis and head to various destinations from here across the country.

The daily supply of polyester fabrics, saris and dress material from the city is pegged at Rs 125 crore.

Source: timesofindia.com - July 26, 2017

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# Functional textiles conference to focus on innovation

The Functional Textiles and Clothing conference will focus on innovation in textiles and fashion. The biannual event will be held on February 9, 2018 in New Delhi.

The three day conference is a platform to have in-depth exchanges on the recent scientific developments, innovations, challenges and opportunities in functional and smart textiles and clothing.

The international conference will be hosted by the textile department of Indian Institute of Technology, Delhi, in association with World University of Design, Sonepat and PSG Tech, Coimbatore. An International Scientific Committee comprising of scientists from over 18 countries will oversee the content of the conference.

The event will host competitions on textile and fashion product innovation. Students from across the world will participate in the contest with their innovative textile products having application in medical, sports, social or any other field.

Innovative fashion products/clothing incorporating an innovative technology will be showcased at the conference. Any working prototype, developed by student(s) as part of a class project will be displayed in the competition.

Papers will be presented at the conference in different areas of functional textiles and clothing.

The presentations will focus on various areas including protective textiles and clothing, medical textiles and clothing, athletic, extreme sports and military applications, smart, functional and interactive textiles, workwear, surface functionalisation and coating, textile and clothing machinery, sustainable production and recycling among others.

Source: fashionnetwork.com - July 25, 2017

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# INDA to host RISE conference in September

A Research, Innovation and Science for Engineered Fabrics (RISE) conference will be held in the US, September 12 to 14, 2017. The conference, slated to take place at Sheraton Raleigh Hotel, Raleigh, NC and is being organized by INDA (Association of the Nonwoven Fabrics Industry).

Around 25 industry leaders will present a dialogue on the theme 'This Changes Everything'. RISE, now in its seventh edition, continues to connect new and emerging technologies with near-term commercial applications to solve immediate real-world industry needs.

The program will explore the future of manufacturing, moisture management, nonwoven structures, inventing the future, advanced materials performance, wet-laid nonwovens, technology and money, advanced biomaterials, advanced machinery, industry updates in nonwoven market changes, and government affairs.

The Association of the Nonwoven Fabrics Industry serves hundreds of member companies in the nonwovens/engineered fabrics industry in global commerce. Since 1968, INDA events have helped members connect, learn, innovate, and develop their businesses.

INDA educational courses, market data, test methods, consultancy, and issue advocacy help members succeed by providing them the information they need to better plan and execute their business strategies.

The RISE conference embraces INDA's mission to stimulate and recognize innovation.

Like-minded, forward-thinking technology professionals will look forward to the moment when the potential impact of a new approach to a material science challenge is revealed. For technology scouts and new product innovators, this is an event not to be missed.

Source: fashionatingworld.com - July 25, 2017

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## Over 30,700 visitors participate in HGH India 2017

HGH India 2017, 6th annual edition of the trade show for home textiles, home decor and more received an overwhelming response from the trade visitors and the industry. Over 30,700 trade visitors, primarily retailers, distributors and institutional buyers from 462 cities and towns across India attended this trade show to source home products.

Visitors discovered upcoming home fashion trends for 2017-18 at the fair that was held in Mumbai. This latest edition of HGH India witnessed a 22 per cent rise in the number of visitors, proving the growing popularity of the trade show amongst serious buyers. Over 500 exhibitors from 30 countries unveiled their innovations and new collections at HGH India 2017.

Dr Kavita Gupta, IAS, textile commissioner, Government of India, inaugurated the event and commented saying, “I think HGH India is doing a tremendous job for home textile, home décor, homeware and gifting industries. There is a distinct growth in this trade fair and I can see high vibrancy and buoyancy in the whole environment here. I am sure that trade buyers will also be very impressed with the innovative and wide range of products on display.”

The guest of honour consulate general of Turkey, Erdal Sabri Ergen shared his optimistic views on the business potential that India offers in the home décor and houseware industry. HGH India 2017 became the first major trade show for the Indian market post the implementation of GST, which directly connected retailers with brands, manufacturers and importers.

The large number of visitors attending the event and their industry lookout confirmed that the entire industry is looking at GST reform in a positive way. With its professional and business-like environment, HGH India proved to be a platform for the exhibitors to connect with high potential Indian trade buyers and channel partners to explore this rapidly emerging market.

“We have launched our new Spaces logo and the new collection for autumn/winter seasons at HGH India because this show has become an integral part of our marketing process and an important event on Spaces annual calendar," said Dipali Goenka, managing director, Welspun Global Brands Ltd.

"HGH India 2017 is a very well organised show as far as I have seen. They have 16 Turkish companies participating. A very well organised event and even in the monsoon season, they have done a tremendous job.

I congratulate them heartily. We are aiming to comeback in 2018 with our textile and kitchenware companies and are looking forward to future editions of HGH India for expanding our Indian Market," said Onder, the president of the Turkish Houseware Association.

HGH India 2017 presented home fashion and lifestyle trends for 2017/18 for the Indian market under the theme 'across time'. Conceptualised and implemented by the internationally renowned design studio Sahm + Permantier, these trends reflect the roots in the past as well as the current life and traces to the future.

The Trend Book 'across time' encompassing these trends provides clear direction to the entire value chain in Indian home products industry as well as consumers in terms of colours, designs, materials, and styles. An elaborate trends pavilion helped visitors not only understand these trends better but also enabled them to see their actualisation and source them for their business needs.

"With the positive and optimistic response year after year from the trade visitors, buyers and domestic as well as international exhibitors alike, we feel even more responsible towards the home products industry globally.

HGH India has always focused on being a trade show for business networking and Indian market growth. Consistent increase in quality trade buyers and exhibitors indicate growing potential of the Indian market and HGH India's ability to connect with it in a focussed manner.

We are developing HGH India as an important forum, which helps transform innovations and ideas into business opportunities," said Arun Roongta, managing director, Texzone Information Services Pvt Ltd, organisers, HGH India.

HGH India 2017 had largest ever international participation showcasing products from Turkey, Italy, UK, France, Spain, Greece, US, Taiwan, Thailand, Korea, China, Australia and many others.

HGH India 2017 witnessed several new product launches and innovations from leading Indian and international brands and manufacturers. Welspun Global Brands Ltd used the trade show to launch a new logo for its brand Spaces. Several market leaders and high profile brands shared their trade schemes and business plans with their current and prospective dealers and distributors across India.

National and international players in product categories like bed & bath linen, furnishing fabrics, floor coverings & carpets, mattresses, table & kitchen linen, blinds and window dressings, home décor accessories and more found HGH India a useful platform to expand their distribution network.

The next edition of HGH India is scheduled from July 3-5, 2018 at Bombay Exhibition Centre, Mumbai.

Source: fibre2fashion.com - July 25, 2017

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## Cotton cultivation increasing

Farmers, who have distanced themselves from cultivating the cotton crop during the last khariff season following the government discouraging them, have decided to go in only for cotton crop as there was good remunerative price for the crop in the last season.

Besides, the prevailing dry weather conditions were forcing the farmers to take up irrigated dry (ID) crop of cotton in this kharif season in the district. It is almost two months since the start of the monsoon season, but the district has not received any good rainfall so far.

### No inflows

Also, there were no inflows into the major irrigation projects.

During the last season, minimum support price fixed by the Cotton Corporation of India (CCI) was Rs. 4,160 per quintal. But, owing to decline in area of cultivation and low production, the priced crossed Rs. 5,200 per quintal in all the marketyards.

The high price was tempting farmers to go in for its cultivation, say agriculture officials. In Karimnagar district, against the normal area of cultivation on 1,10,529 hectares, so far the farmers have taken up cultivation on 82,998 hectares, which comes to 75.09% coverage of the area under cultivation.

Cotton crop is being cultivated on 53,282 hectares against the normal area of 55,937 hectares, which is 95.25%. Last kharif, cotton was cultivated only on 49,140 hectares.

**Paddy cultivation**

With no inflows into the irrigation projects and poor rainfall, paddy cultivation is likely to come down drastically during this kharif. Against the normal area of cultivation of paddy on 37,096 hectares, paddy was cultivated only on 18,257 hectares which is only 22% of normal area.

It is expected that the area of cultivation of cotton is likely to cross even the normal area in the coming few days.

“If all goes well it’s okay. But if the cotton price is reduced in the international market and if pests attack the crop, the situation would be horrible to the farming community, officials fear.

Source: thehindu.com - July 25, 2017

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# US footwear major Skechers steps into apparel, accessories

*To open 500 stores in India in 5 years*

American footwear major Skechers aims to have 500 stores in India in three-five years.

The company, which has been growing at a fast clip in the past five years, is also entering the Indian apparel and accessories categories.

Marvin Bernstein, Managing Partner, Skechers S.a.r.l, told *BusinessLine* that India is one of the fast-growing markets for the brand.

"I believe we haven't even scratched the surface when it comes to the potential in India. We haven't even begun to tap the huge opportunity that is there in the tier-I and II cities. We see India to be in the top five markets in the long term but it's difficult to give a timeline," he said.

"We saw 100 per cent growth last year. We are focused on exposing the brand to more people in the country and strengthening our distribution," he added.

Skechers India's current revenues are pegged at ₹450 crore.

Future growth will depend on the pace at which the company manages to ramp up its distribution and add new stores, said Bernstein.

## Standalone store

The company opened its 90th standalone store in Gurugram last week. The launch also marked its foray into the apparel segment in India.

The company plans to expand its offerings in India to accessories such as socks, bags, caps and shoecare products.

Bernstein said the planned 500 stores will be a mix of company-owned and franchise-owned outlets. Skechers' products are also sold across multi-brand stores.

The company entered India in 2012 through a joint venture with Kishore Biyani-led Future Group.

Last year, it got FIPB clearance for single-brand retail and increased its stake in the joint venture to 51 per cent.

Skechers is at present largely importing its products.

Asked if it plans to make India a manufacturing hub, Bernstein said it is not a top priority at the moment.

Source: thehindubusinessline.com - July 26, 2017

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## GST, a big boost for the logistics industry

For most people, warehouses and transportation represent the boring end of the business spectrum. Countless cartons of everything from tomato ketchup to auto parts aren't calculated to grab interest. But it's time to listen up. While the sector's already been on a growth spree, driven by a burgeoning consumer market, GST's advent is about to kick the business onto a new growth trajectory with the abolition of inter-State checkpoints and the creation of regional logistics hubs and economies-of-scale.

Anshuman Singh is one logistics player eyeing what he sees as rich prospects from India's big tax revamp. Singh was the CEO who built up Future Supply Chain Solutions, the logistics arm of retail giant Future Group (he also had a stake in the company). Singh figured he wanted to run his own show and launched Stellar Value Chain Solutions 11 months ago.

By September, he'll have 2 million sq ft of warehousing space and he aims to double that by next March to four million. That's for starters. Singh intends to have 40 million sq ft of warehouses in the next 4-5 years, spread across 28 logistics parks in 21 cities. In addition, he has 400 trucks on the road and aims to make that 40,000. Private-equity investor Warburg Pincus has backed Stellar to the tune of $125 million.

"Everything related to consumers — lifestyle, durables, food, beverages, pharmacy and FMCG (fast-moving consumer goods) — that's where we intend to bring change," Singh says, noting India hasn't too many good warehouses. “Ten years ago, we had only godowns. I want to build the supply chain in this country,” he says.

## A game-changer

Ironically, when Singh helped launch Future Logistics a decade ago, he did so believing GST was just around the corner. Now it’s finally arrived, it’s undoubtedly a game-changer for the logistics sector which kicks in 13 per cent to GDP despite being underdeveloped and highly fragmented. (Bear in mind China, during its rapid growth phase, saw its logistics sector account for 18-20 per cent of GDP).

Pre-GST, “companies were used to locating and operating warehouses keeping in view the Central Sales Tax structure, irrespective of their end-customer base. Now emphasis will be on operational efficiencies”, says Shyam Arumugam, who’s office services associate director at commercial real-estate company Colliers International India.

It’s been the e-commerce industry which has been the fuel for the sector’s rocket-propelled growth as it replaced shoppers tramping around stores with doorstep parcel service. Take a squint at Ecom Express, started in 2012 by four employees of courier company DHL. During the last financial year, Ecom Express delivered 50 million parcels, up from 19 million two years earlier. Ecom Express’s proud boast is it can reach every pincode in 12 states and its next goal is to do the same in another 12 states.

It reckons 25 per cent of the logistics industry comes from e-commerce. “We’re practically like the post office,” says K Satyanarayana, a company co-founder. “We deliver to furthermost rural areas and create lots of rural employment,” he adds. Ecom Express has 16,000 people on its rolls. The company has also taken a sideways step and opened five warehouses near major metros.

Another early-mover company was TVS Logistics Services, founded in 2004 and now a billion-dollar-company. It played the game slightly differently, looking first globally and then locally at India. Today, it has around 300 warehouses and about 10 million sq ft all over India, making it one of the country’s most powerful operators. But that’s only 30 per cent of its total business. “In terms of spread and space, we’re one of the biggest,” says R Shankar who’s TVS Logistics’ India CEO.

The company also has major backers like the Caisse de Depot et Placement de Quebec, Canada's second-largest pension fund, and the Tata Opportunities Fund.

**Bright picture**

The logistics firms were already in the fast lane but the big time looms with GST, the biggest upheaval, which consultancy KPMG says will provide a chance to "rationalise and re-engineer transportation and logistics networks". Logistics firms will be able to follow hub-and-spoke models for freight movement as they set up large warehouses. "We expect 80 warehouses to become 20 much bigger ones," says one executive. Stellar's Singh says his warehouses will be sited near 17 big metros and four production centres like Ludhiana.

Certainly, the new warehouses will be state-of-the-art and many will be super-sized and specialised. Stellar aims to have four warehouse types, including some handling only cold-chain items and others e-commerce products. He expects his warehouses to match highly automated ones abroad. TVS Logistics' Shankar has a slightly different take on automation given India's inexpensive, plentiful labour: "We'll have fit-for-market automation, keeping in mind manpower availability we have here."

Entering the logistics business at a different level are firms like IndoSpace and Bangalore-based real-estate giant the Embassy Group. They're building logistics parks with warehouses that will be rented by firms like Stellar Value. IndoSpace hit headlines recently when it won $1.2-billion backing from the Canadian Pension Plan Investment Board.

IndoSpace is part of Everstone Group, founded by two Goldman Sachs bankers. It already has 28 logistics parks with 30 million sq ft of space. Everstone Real Estate's managing partner Rajesh Jaggi says the company "plans to expand the portfolio to around 50 million sq ft in the next five-to-seven years".

Similarly, Embassy Industrial Parks has sprawling logistics parks in Sriperumbudur, Chakan near Pune and also Gurgaon. Anshul Singhal, CEO, Embassy Industrial Parks, says the company already has 4 million sq ft of space and plans to hike that to around 20-25 million sq ft in the next five years.

The Embassy Group is also getting funding from Warburg. Incidentally, Warburg's logistic investments include Embassy, Stellar, Ecom Express and Rivigo, a trucking firm. Warburg has invested $75 million in Rivigo.

As efficiencies take effect, logistics costs will fall, as is the case with the US where logistics now represents just 8.5 per cent of GDP. When that happens, it will be a clear sign India's logistics industry has come of age.

Source: thehindubusinessline.com - July 26, 2017

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## 'India's concerns slowing RCEP talks'

India's reservations regarding the potential adverse impact of eliminating duties on its local manufacturing and job creation is understood to be slowing down the Regional Comprehensive Economic Partnership (RCEP) negotiations.

The RCEP is a proposed mega Free Trade Agreement (FTA) involving 16 Asia Pacific nations including India and China, and aims, among other things, to liberalise investment norms in the region, besides boosting trade by dismantling most tariff and non-tariff barriers.

The "slow pace" of negotiations was worrying, Phairush Burapachaisri, vice chairman, Board of Trade of Thailand and Thai Chamber of Commerce, told *The Hindu* here on Tuesday. "We hear that while most RCEP countries have agreed to quickly eliminate barriers affecting goods trade, India is seeking more time to do so, and that is delaying the negotiations," said Mr. Burapachaisri, who attended stakeholder meetings held with the RCEP Trade Negotiating Committee on the sidelines of the RCEP negotiations.

"The talks have already missed many deadlines and it looks like the negotiators won't be able to conclude it this year. Asia Pacific is a fast growing region, but trade between countries in the region is affected by several barriers. If RCEP talks are not concluded quickly and these barriers are not eliminated, the region will miss out on many opportunities."

Meanwhile, Indian companies and industry bodies, including CII, flagged their concerns. The Centre's 'Make In India' initiative to boost manufacturing and job creation could be hit by a hurried pact, they opined.

**Widening trade gap**

Siddhartha Roy, economic advisor, Tata Group, said: "India's trade deficit [annual] with RCEP nations is about $100 billion, and half of this is with China alone even without an FTA with China."

"Post India's FTA with ASEAN, Japan and Korea [who are all RCEP members], our trade deficit with them have increased, and the government needs to take this into account during RCEP negotiations," he said. "Eliminating duties under the RCEP will impact many sectors including steel, aluminium, auto-components, many engineering items and readymade garments."

CII Trade Policy Committee chairman Deep Kapuria said while many countries were urging greater focus on duty elimination, India ought to highlight the need for removal of non-tariff barriers including those in China in addition to pushing for greater market access for its services sectors including IT/ITeS.

Aditya Ranade, chief economist, Aditya Birla Group, pointed out that India was the third poorest in per capita income among the RCEP nations, adding that a mega FTA like the RCEP could hit the MII initiative and job creation in India, in turn adversely affecting the livelihood of the people.

Source: thehindu.com - July 26, 2017

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