IBTEX No. 161 of 2017 August 04, 2017

USD 63.66 | EUR 75.66 | GBP 83.66 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19959	41750	**82.77**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
20390	42651	**84.56**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	70.16
ZCE Cotton: Yuan/MT (Sept 2017)	15,015
ZCE Cotton: USD Cents/lb	**86.13**
Cotlook A Index – Physical	**79.5**

Cotton & currency guide: Cotton for December future at ICE traded steady on Thursday's trading session to make minor change closed the session at 70.16 cents/lb. This is now second consecutive day's cotton has posted a close above 50-day moving average indicating the room to trade higher towards 71+ cents in the near term is still likely.

Now the objective for the market is to achieve near the 100-day moving average of 71.57. However, we have emphasized on our previous day report how the overbought phase of the market on daily chart should soon make a pause and create a reversal.

Nonetheless, until then the scenario may remain upbeat.

Currency Guide:

Rupee appreciated by 0.05% to trade near 63.66 levels as against previous close of 63.6937. Supporting rupee is continuing investor inflows in Indian markets.

As per reports, Global funds bought 51.6 billion rupees or $803.5 million of shares in July. The US dollar is also pressurized by mixed economic data and concerns about Trump administration.

However, weighing on rupee is choppiness in global equity markets. We expect USDINR to trade with a negative bias and possible trading range is 63.45-63.85.

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

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INTERNATIONAL NEWS

Cotton Prices Holding Stable as China Continues to Sell Off Its Reserves

Cotton prices should remain on a level playing field and even decline a bit next year as farmers around the world plant more acreage.

The 2016/2017 cotton season was a banner year for U.S. cotton exports, which were up 50 percent over the previous year as a changing monetary policy in India late last year put a temporary dent in that top-producing cotton country's ability to export more of its product.

"Deeper into the cotton season, India, the No. 2 exporter of cotton, had some macroeconomic reforms announced in November," said Jon Devine, senior economist of Cotton Inc., the research and marketing company in North Carolina that represents upland cotton producers and cotton importers. "The reforms were ahead of cotton harvest time in India and threw a monkey wrench into the international cotton market. India was not there to compete with U.S. cotton."

Because of that, the United States, the largest cotton exporter in the world, sold 14.5 million bales this year compared to 9.2 million bales the previous year after farmers planted 15 percent more acreage as corn and soy prices dipped, Devine said. The U.S. exports 95 percent of its harvest—in the form of fiber and yarn—primarily to Asia and Latin America.

U.S. cotton production should increase again next year because farmers are boosting their cotton acreage, said Leslie Meyer, an agricultural economist with the U.S. Department of Agriculture. "The latest estimate from the USDA is that the U.S. crop will be at about 19 million bales for the 2017/2018 year [which begins Aug. 1]. That's an 11 percent increase over the previous year."

India, the world's largest cotton producer, and China, the second largest cotton producer, will be reserving more land for cotton growth. The USDA estimates that next year, global cotton production will shoot up 9 percent.

Meanwhile, the global demand for cotton next year is expected to inch up 3 percent over this year as yarn-spinning mills in Bangladesh and Vietnam up their production and China continues on a steady course as the world's largest textile manufacturer, the USDA reports. In the last four years, global demand has grown between 1 percent and 1.5 percent a year.

With supply outpacing demand, cotton prices are expected to remain at around the 70-cents-a-pound mark in the near future and perhaps fall later in the year. Last year, cotton went as high as 82 cents a pound. "In the last couple of years, prices have remained softer," said Karin Malmstrom, director, Cotton Council International, for China and Northeast Asia, who recently gave a webinar on the cotton supply-chain situation. "Since last year, the prices have remained firm, which is not a bad thing. In the last few years, the cotton market had a huge roller coaster, which makes it hard to plan and make commitments."

China's cotton storehouse

China, the world's largest cotton consumer and the second-largest cotton producer, has gradually been selling off its huge stock of cotton it started warehousing in 2011 to support its farmers with premium prices. At that time, world cotton prices eventually hit $2.27 a pound, the highest it had been since the U.S. Civil War.

But cotton can't be hoarded forever because it starts to deteriorate after a few years. So in late 2013, China started selling off its vast reserves, which peaked at 68 million bales and is now down to about 40 million bales, but that is still about twice the annual production seen in the United States. "We see this as a stabilizing factor," Malmstrom said. "In the past, we've had two different balance sheets—one for China and one for the rest of the world. In the next couple of years, we may be working off of one balance sheet."

Chinese textile factories have been buying up this older cotton and mixing it with new cotton to improve the cotton reserves' quality, said Meyer of the USDA.

Even with millions of cotton bales sitting in warehouses, China is expected to up its cotton harvest next year—primarily in the western Chinese province of Xinjiang—by 5 percent to 8 percent.

With China supplying most of its own cotton in the last few years, the two biggest export markets for U.S. cotton have been Bangladesh and Vietnam as those countries increase yarn production.

“About 80 percent of the spinning capacity in Vietnam has Chinese investment or is Chinese-owned,” Malmstrom said. “The large companies in Vietnam spin that cotton into yarn and export it back to China.”

Chinese investors entered the Vietnamese market because they expected Vietnam would become a member of the Trans-Pacific Partnership, a free-trade pact between the United States and 11 other Pacific Rim countries. That would have made it possible to export yarn and even fabric from Vietnam to the United States free of duty.

But even though the United States dropped out of the Trans-Pacific Partnership, China is still strong in Vietnam because China is the largest textile producer in the world and will continue to be for some time.

Source: apparelnews.net- Aug 03, 2017

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Trump May be Poised to Take Aggressive Trade Action against China

Rhetoric may soon be giving way to action when it comes to punishing China for its so-labeled trade wrongs.

Despite campaign promises to punish China until it got its trade relationship with the U.S. in line, President Trump and his administration have been treading fairly lightly with the Asian powerhouse as they sought aid in restraining North Korea’s nuclear program.

But now, according to reports from Axios, the president is considering taking action against China for something other than trade deficits: its theft of U.S. intellectual property.

The action, which would be a “self-initiating” trade case under Section 301 of the 1974 Trade Act, would allow the president to impose duties on China for unfair trade practices. Section 301 hasn’t been widely tapped since the

World Trade Organization took shape in 1995, but it used to be the way the U.S. handled trade battles before it had the WTO to step in.

If Trump does go that route—and an announcement about trade action could come as soon as this week—the Office of the United States Trade Representative would essentially have sole say in how things went considering the case was self-initiated. The move could see a case eventually end up in the WTO, and with that process, any proposed tariffs on China would likely be at least a year out.

And though the investigation into China's potential intellectual property abuses itself might not incite a trade war, sweeping punitive tariffs might.

The U.S. and China met in Washington late last month to talk trade and those conversations ended with seemingly little conclusion.

Reports naturally pointed to China's trade deficit as the hang-up and all the Commerce Department had to say was that China acknowledged the U.S. position on those deficits and both sides would work to correct it.

President Trump and Chinese President Xi Jinping had what appeared to be an amiable meeting at Mar-a-Lago in April, but it seems Trump's feelings may have since soured.

The president said on Twitter Saturday—defending the mode of communication as the only way for him to "get the truth out"—regarding China: "I am very disappointed in China. Our foolish past leaders have allowed them to make hundreds of billions of dollars a year in trade, yet...they do NOTHING for us with North Korea, just talk. We will no longer allow this to continue. China could easily solve this problem!"

Rumblings on the Hill have both addressed this potential trade action and implied that nothing is impending, but if it does move forward, it could pose a drastic change to U.S.-China trade relations.

Source: sourcingjournalonline.com- Aug 02, 2017

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ICAC Forecasts Soft Cotton Prices Ahead

Cotton prices are expected to be uncertain in the 2017-18 season.

The International Cotton Advisory Committee forecasts that the A Index international average of cotton price futures in 2017-18 will range between 54 cents and 87 cents a pound, with a midpoint of 69 cents a pound.

That midpoint would be 13 cents a pound lower than in 2016-17 and follows a large increase of 12 cents a pound from 2015-16 to 2016-17, which suggests that such a drop is not unreasonable.

The U.S. Department of Agriculture's report for the week ended July 27 showed spot prices averaged 66.58 cents per pound, which was up from 65.94 the prior week, but down from 71.37 cents a year earlier.

The ICAC said the season-average A Index in 2016-17 ended up being much higher than the initial forecast and market fundamentals don't explain why this occurred.

"Given what happened in 2016-17, it is difficult to say whether the current forecast for 2017-18 will hold up well over the season," ICAC stated.

In 2017-18, world cotton production is projected to increase 8 percent to 24.9 million tons due entirely to an 8 percent expansion in world cotton area to 31.7 million hectares, which is below the 20-year average of 32.7 million hectares. The world average yield is forecast at 785 kilograms per hectare.

India is expected to remain the world's largest producer, with output increasing 6 percent to 6.1 million tons. After falling 6 percent in 2016-17, China's production is projected to rebound 7 percent to 5.2 million tons.

Production in the U.S. is expected to rise 10 percent to 4.1 million tons, as high prices, sufficient soil moisture in dry land areas and beneficial weather during planting encouraged farmers to expand cotton area 18 percent to 4.5 million hectares.

After two seasons of contraction, better than expected returns for cotton encouraged farmers to expand cotton area in Pakistan by 9 percent to 2.7 million hectares. Assuming the average yield rises 8 percent, Pakistan's production is projected to increase 17 percent to 2 million tons, which is similar to its 15-year average. Cotton production in Brazil is forecast to increase 5 percent to 1.6 million tons, as high returns in 2016-17, resulting partially from a 17 percent increase in the average yield, are likely to encourage farmers to expand cotton area.

World cotton consumption is forecast to rise 2 percent to 25 million tons. A modest 1 percent increase is projected for China, the world's largest cotton consumer, with its mill use reaching 8.1 million tons. After declining 3 percent in 2016-17, consumption in India is forecast to increase 2 percent to 5.3 million tons.

Pakistan's mill use is expected to rise 4 percent to 2.2 million tons, which follows a 13 percent decrease in mill use in 2015-16 and stagnant growth in 2016-17. Consumption in Bangladesh is projected to rise 5 percent to 1.5 million tons on strong demand domestically and internationally, and Turkey's mill use is expected to remain stable at 1.5 million tons.

World cotton trade is projected to decline 1 percent to 7.8 million tons. While the U.S. is expected to remain the world's largest exporter, its exports are still forecast to decrease 8 percent to 2.9 million tons. India's exports are forecast to rise 2 percent to 930,000 tons and Australia's exports are projected to increase 8 percent to 760,000 tons. Bangladesh, Vietnam and China are expected to remain the world's three largest importers. Bangladesh's imports are projected to increase 7 percent to 1.5 million tons, Vietnam's by 5 percent to 1.3 million tons and China by 4 percent to 1.1 million tons.

World ending stocks are projected to decrease 1 percent to 18.8 million tons, with increases outside of China offset by decreases in China's stocks. China's stocks are expected to decline 16 percent to 8.9 million tons. Ending stocks outside of China are forecast to grow 19 percent to 9.8 million tons.

Source: sourcingjournalonline.com- Aug 03, 2017

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Brazilian cotton prices drop 7.3% in July

Most trades in the Brazilian cotton market were limited to small volumes in July. Although sellers were more flexible regarding asking prices, purchasers were not interested in trading in the spot market, bidding prices lower than those asked by sellers. Besides, active processors were complaining about the quality of the available cotton.

Between June 30 and July 31, the CEPEA/ESALQ Index, 8-day payment terms, for cotton type 41-4, delivered in São Paulo, dropped 7.3 per cent, closing at 2.4665 BRL ($0.7915) per pound on July 31, Center for Advanced Studies on Applied Economics (Cepea-Brazil) said in its latest fortnightly report on cotton trade.

During the second fortnight of July, most Brazilian companies were found working with cotton previously purchased, and the interest in new acquisitions was only for shipment in the coming months.

In the coming months, cotton prices are expected to drop even more due to the increase in volume of the 2016-17 crop in the market.

With prices dropping, most growers allocated their higher quality cotton to fulfil the previously closed contracts. Trading companies based on international prices and dollar, however, were more flexible regarding asking prices in the spot market, mainly for shipment in the coming months, Cepea-Brazil said.

Source: fibre2fashion.com - Aug 03, 2017

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Vietnamese garment firms not fully benefiting from FTAs

Vietnamese trade experts feel the benefits of free trade agreements (FTAs) that the country has signed has mostly evaded domestic garment and textile firms because of several reasons, including inability to diversify export markets and not meeting rule-of-origin requirements due to ignorance and weak materials supply and supporting industries.

At a recent seminar in Ho Chi Minh City, the experts observed that the firms in the country that have taken advantage of FTA breaks belong to the FDI sector. Garments and textiles comprise Vietnam's key exports.

Vietnam has signed 12 FTAs, of which 10 have come into force: Vietnam-ASEAN, ASEAN-India, ASEAN-Australia-New Zealand, ASEAN-South Korea, ASEAN-China, ASEAN-Japan, Vietnam-Chile, Vietnam-Japan, Vietnam -South Korea and Vietnam-Eurasian Economic Union, Nguyen Ng?c Hoa, deputy director of the Ho Chi Minh City department of industry and trade, told the seminar.

The seminar was organised by the department in collaboration with the Ministry of Industry and Trade to help garment and textile businesses get updated information on rules of origin so that they can capitalise on preferential treatments under FTAs to boost exports.

Hoa urged exporters to diversify export markets to avoid or minimise risks. Between 2016 and 2020, most tariff lines under the FTAs have entered a period of being deeply cut or completely removed, he said, adding that the country can increase export revenues and expand markets if firms can exploit FTA opportunities.

Trinh Thi Thu Hien, head of the origin of goods division under the Ministry's export-import department, said the Ministry has negotiated to apply more flexible rules of origin under the EU-Vietnam FTA. While this FTA also requires rules of origin to apply from fabric onwards, which implies exports to the EU must use fabric produced in Vietnam or the EU, the agreement also allows companies to use fabric from a third nation having FTAs with both Vietnam and the EU.

Pham Xuan Hong, chairman of the Garment Textile Embroidery Knitting Association in Ho Chi Minh City, said the garment and textile industry has to import around 70 per cent of its materials
for production, mainly from China.

Vietnam's garment and textile exports reached over $14 billion in the first half of 2017, a year-on-year increase of 11 per cent. The industry is confident of achieving its 2017 export target of $30-31 billion, an increase of 10 per cent over last year, Hong added.

Source: fibre2fashion.com- Aug 03, 2017

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Pakistan-Turkey's 7th FTA talks by August end

The seventh round of negotiations on free trade agreement (FTA) between Pakistan and Turkey would be held by the end of current month in Turkey to finalise the agreement, an official said on Thursday.

"Pakistan's trade balance with Turkey remained positive until 2011; however, it started decreasing since 2011, when additional duties on various commodities were imposed by the two countries," a senior official of ministry of commerce told APP.

The official said the two sides would exchange provisional lists for a final agreement in the upcoming round of dialogue. He said the two sides will hold discussions on agreement on goods, services and investment.

After signing of FTA, both the countries will be able to improve their trade balance, he added. The official said Pakistan will get market space in agriculture and pharmaceutical sectors in Turkey.

Pakistan's major imports from Turkey include manmade textile, towel, steel structure, tanning and plastic chemicals, processed milk and whey.

He said the country's major exports to Turkey are denim, polyethylene terephthalate, ethanol, cotton yarn, fabric and rice, garments, leather, carpets, surgical instruments, sports good and chemicals.

Source: thenews.com.pk- Aug 03, 2017

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Pakistan: Commerce ministry exploring int'l markets to increase exports

The ministry of commerce is exploring potential international markets to enhance exports, a senior ministry official said on Wednesday.

"We are working to search new trade avenues and markets in different world regions," he said. The official said the new trade policy mainly focused on improving supply chain, enhancing use of technology and providing competitiveness in a bid to enhance volume of international and internal trade.

The government, he said, was working on a plan to diversify internal trade and improve supply chains, which would ultimately enhance the exports. The official said negotiations were underway for free trade agreements (FTAs) with Turkey, Thailand and Iran, which would be finalized in coming months.

The government would try to reach FTAs with the Latin American countries on the same pattern, he added.

The official said the South American markets had great potential and by taking timely measures, Pakistan could tap them. Argentina, Brazil, Colombia and Cuba had huge import potential, he added.

He said under the Strategic Trade Policy Framework (STPF), diversification of export markets was envisaged through adoption of an outreach strategy for Africa, Commonwealth of Independent States (CIS) and Latin America.

The STPF 2015-18 aimed to enhance annual exports to $ 35 billion, besides improving export competitiveness and making transition from `factor-driven' economy to `efficiency-driven' and `innovation-driven' economy, he added.

The official said during the seventh round of negotiations on FTA with Turkey, both the sides had discussed specific sectors, including textile. The FTA was scheduled to be signed on August 14, which would help enhancing bilateral trade between two countries, he added.

He said Pakistan's major exports to Turkey were denim PET, ethanol, cotton yarn, fabric and rice, garments, leather, carpets, surgical instruments, sports goods and chemicals.

Source: nation.com.pk - Aug 03, 2017

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Indonesian Fabrics Dazzle Europeans

European audiences have lauded Indonesia's *batik* and *ikat* weaving, or *tenun ikat*, during the "Wastra Indonesia" fashion show in Den Haag, the Netherlands.

More than 300 international guests, including diplomats, batik lovers, fashion observers, textile industry players and artists, attended the event on July 25-26.

The exhibition, devoted to traditionally died indigo batik and famous tenun clothes from Gianyar, Bali, astounded Lara Petrees, a Dutch textile importer.

"I have seen Indonesian designs, they are very beautiful. I want batik or handmade tenun to be worn globally," Lara said, as quoted in a statement by the Ministry of Tourism on Tuesday (01/08).

Indonesian Embassy's attaché for education and culture, Bambang Hari, who also founded the event, said the exhibition was meant to introduce to Europeans various types of traditional Indonesian fabrics.

"The richness of Indonesia's textile products is not limited to Yogyakarta's batik, it also encompasses ikat weaving, *songket* from Padang, and many others. We are introducing these products to the world," Bambang said.

Tourism Minister Arief Yahya congratulated the event organizers and added that "promoting batik as the country's original fashion will strengthen Indonesia's tourism," Arief said.

Source: jakartaglobe.id - Aug 03, 2017

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GSP doesn't take Sri Lanka far as Bangladesh edges ahead in RMG exports

GSP has not really helped Sri Lanka enhance its exports to the EU. Production and labor costs remain high compared to competitors', and it is doubtful if the country can meet its goal of doubling exports by 2020.

Bangladesh, for instance, has moved ahead in textile and apparel production in the last few years. Bangladesh accounts for 6.4 per cent of global clothing exports compared with Sri Lanka's 1.2 per cent.

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 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-favorable GSP program, under which its exports were taxed at 9.6 per cent. 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.

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: fashionatingworld.com - Aug 03, 2017

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Bangladesh's apparel exports record poor growth this year

Bangladesh's apparel exports has grown only 0.2 per cent in fiscal year 2017. Total exports between July 2016 and June 2017 were 5.85 per cent lower than the target. Garment exports, which comprise knitwear and woven items, earned 7.34 per cent below the target.

The knitwear sector posted a three per cent rise while earnings from woven garment exports dropped 2.35 per cent. Among other sectors, earnings from frozen shrimp exports dropped 0.56 per cent. Leather exports fell 16.3 per cent but leather goods registered a 19.63 per cent growth.

Shoe exports also saw a 8.5 per cent rise. Export earnings rose for jute and jute products by 4.66 per cent and medicine by 8.6 per cent. But agricultural product earnings dropped 7.2 per cent.

Bangladesh's overall exports have grown a meagre 1.69 per cent this year upto June, with its slowest pace in 15 years. The apparel sector accounts for almost 80 per cent of the country's exports.

Bangladesh's imports between July 2016 and May 2017 were 11 per cent higher than in the same period of fiscal 2015-16. On the other hand, exports rose 3.8 per cent year-on-year in the July-May period.

Meanwhile, foreign direct investment has increased in Bangladesh, particularly in energy, telecom and the stock market.

Source: fashionatingworld.com - Aug 03, 2017

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NATIONAL NEWS

FDI in textiles doubled to $619 mn in 2016-17

Foreign direct investment (FDI) in textile sector more than doubled to USD 618.95 million during 2016-17 from USD 230.13 million in the previous fiscal, Parliament was informed today.

In a written reply to Lok Sabha, Minister of State for Textiles Ajay Tamta said during the first two months of current fiscal, the sector received USD 21.41 million foreign inflows.

He also said textile exports during 2016-17 too rose to USD 36 billion from USD 23.9 billion in the previous financial year.

In a separate reply, he said in rupee terms export of textiles and garments increased by 3.2 per cent in 2016-17.

With a view to enhance investment, production and export of the textile industry, the government has launched a Rs 6,000-crore package for apparel and made-ups segments, he added.

Source: india.com- Aug 03, 2017

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GST stocktaking-II: Textile sector wary of new tax regime, but all concerns are not valid

The recently launched Goods and Service Tax (GST) has created outrage and protests in the textiles sector. The textiles and garments sector is one of the largest employment generators in the country. India has around 2 million power looms manufacturing around 20 billon meters of cloth.

The power looms sector accounts for around 60 percent of the total textiles sector. The sector is largely unorganized with many players having hardly 10–20 looms and weaving on an average around 1,000 meters of cloth per loom per month, depending on quality of cloth and loom used to manufacture.

Many run their looms on job-work basis and many buy yarn and manufacture cloth. These units are spread across Bhiwandi, Surat, Ichalkaranji, Erode, Bhilwara, to name a few large centres where power looms industry is operating.

Till date this sector has been out of the tax net. The government has in the past tried to impose excise on the power looms sector since 2003. However, after an agitation by the players this was withdrawn. So this sector largely remained out of the tax net, except VAT. Now the sector is being brought into the tax net because of GST.

While it is easy to blame the industry for their inertia and lack of desire to come within the tax net, there are practical complications that need consideration from the government also. At the same time, the aversion in the industry is also because many players don't wish to come within the tax net and that cannot be ignored.

Till date significant part of this trade was operating in cash. The traders never paid tax of any kind. Now there are concerns on how they can continue their trade in cash. e-way bills and squads inspecting goods and invoices have sent fear across the sector. There are pros and cons about the same. For this we need to understand manufacturing process.

A piece of cloth that we buy in the market goes through various processes and moves in the hands of many intermediaries before we get the final finished piece of cloth. It starts with a textiles manufacturer buying various kinds of yarns. The yarns are sent for intermingling and twisting to get a kind of blended yarn that will be used for weaving.

This yarn is then sent for dyeing. After dyeing, the yarn is sent for washing and processing. These yarns are loaded on sticks and beams for warp and weft and then finally it is ready for weaving. Weaving gives us cloth that is called Grey Cotton. This grey cotton is then sent for washing and dyeing and processing. After washing and dyeing we get our finished cloth that is available in the market.

If we observe closely, from yarn to finished cloth there are more than half a dozen processes. Most of these weaving units or power looms don't have the capabilities to execute all processes in its premises.

So they have to send yarn out for intermingling, twisting, dyeing and processing, loading on sticks and beams before weaving. Similarly after weaving they have to send Grey Cotton outside for washing and dyeing and processing and again washing. Add to that all transportation involved in moving material from one place to other and back in the factory.

This means for every material movement in the job-work, they will have to do all the paper work and then also pay GST on labour charges. If the units doing this job-work are unregistered, then the cloth manufacturer (power loom owner) will have to pay GST under the Reverse Charge Mechanism (RCM). Reverse Charge Mechanism is a method of collecting tax wherein the recipient of goods and service pays tax on material and service he buys from unregistered dealers. The government's intent to impose RCM is to increase tax compliance resulting in higher tax revenues.

The government has not been fully able to collect tax from many unorganized sectors like goods transport and small sector industries (SSIs). According to the government, any exemption on account of backward area benefits or SSI limits is a tax leakage which it is trying to stop.

Compliances and tax collections will therefore increase through reverse charge mechanism. This means there will be additional compliance burden on power loom owners. It can be safely assumed that none of the smaller job-work units doing intermingling, twisting, dyeing, etc., will bother to handle all this and the burden of compliance will be on power loom owners.

The bigger reason of fear is that now they may not be able to move their material for job-work at various places. Section 19 of GST Act read with Rule 43A is clear on procedure for sending goods out for job-work and availing input tax credit on the same. But smaller players would find this cumbersome. Can there be a better and easier method to handle this compliance? That needs to be deliberated by the government after a detailed dialogue with the industry.

If we closely analyze the cost structure of power looms, they hardly make any decent margins. On a higher side, a power loom owner cum fabric manufacturer would make not more than 10 percent margin. Out of that he has to pay for power and electricity, labour and wages, and other expenses, leaving a loom owner with extremely low returns.

For a businessman operating on such low margins, the cost of compliance that includes hiring an accountant and tax consultant is definitely a pain. This is one reason we are seeing a resistance against GST.

Other contours in GST that has resulted in problems is inverted duty structure and interpretation on where certain fabrics could be placed. This was the issue that created outrage amongst textile manufacturers in Surat and attracted national attention. However, manufacturers were okay with inverted duty structure and loss on account of inability to get full set off of input tax credit.

The reason is manufacturers were comfortable in absorbing some losses in order to gain ease in compliance and clarity on how their product would be taxed. The government is now considering reduction of GST on textile job work, which was 18 percent to 5 percent. This is in order to reduce inverted duty structure in textiles sector.

Now comes the bigger issue of black money and tax evasion. Most of the trade in this sector is done in cash. Traders and manufacturers are reluctant about moving their trade to non-cash means. There are two big reasons for this.

The first concern is, how will traders and manufacturers account for stock of unaccounted inventory that they would now sell through non-cash means? This would mean they will have to incur tax on sales income without any deduction for raw material costs. This translates into a huge tax liability for them on income that they have earned over years and decades but never paid tax. Conservative estimates by industry experts pegs the growth in accounted turnover of these players anywhere from 5 times to 10 times or even more due to GST.

The second concern is sharing of information between GST and income tax and how to explain such a massive increase in turnover after GST? The bigger worry amongst traders and manufacturers is of income tax officials issuing notices for reopening of files of previous years in which income was under reported. The government can work on allaying this fear by giving some assurances to trade bodies that cases of previous years' would not be reopened.

Transition and evolution has always been a challenge for every living being. It is an even bigger challenge when it is about changing the way we do business. Here, government needs to be compassionate and understand valid concerns of the industry and work on smoothening rough edges and removing pain points.

This is the only way the government can achieve a mutually beneficial solution in which industry is made to accept and comply with GST while allaying valid concerns to ensure success of the largest tax reform after independence.

Source: firstpost.com- Aug 03, 2017

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Schemes for Welfare of Textile Workers

Government has been implementing various policy initiatives and schemes for the welfare of textile workers in the country, such as Integrated Skill Development Scheme (ISDS), Schemes for Development of Silk and Sericulture sectors, National Handloom Development Programme (NHDP), Comprehensive Handloom Cluster Development Scheme(CHCDS), Yarn supply Scheme and National Handicrafts Development Programme (NHDP). Government is also implementing PowerTex India, a comprehensive scheme for Powerloom Sector Development.

Further, Government is implementing social welfare schemes for weavers/ workers, such as Matatma Gandhi Bunkar Bima Yojana for Handloom weavers, the Group Insurance Scheme for Powerloom workers, the Aam Admi Bima Yojana for handicrafts artisans and scholarship for children of jute workers. Government of India had introduced the Textile Workers Rehabilitation Fund Scheme (TWRFS) to provide relief to workers rendered jobless due to permanent closure of Non-SSI Textile Mills in private sector.

The TWRFS has now been merged with Rajiv Gandhi Shramik Kalyan Yojana (RGSKY) which provides an unemployment allowance for the employees covered under ESI Scheme, who are rendered unemployed involuntarily due to retrenchment/closure of factory, etc.

The Government had also approved a special package for textile sector with an outlay of Rs. 6000 crore to boost employment generation and exports, particularly in Garmenting and Made-ups.

The above information was given by the Minister of State, Textiles, Shri Ajay Tamta today, in a written reply to a Lok Sabha question.

Source: business-standard.com- Aug 03, 2017

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Maharashtra cotton farmers worry over pink bollworm attack

This season, the increasing incidence of crop damage by pink bollworm in the early stages of cotton planting has evoked concern among farmers in Maharahstra. Even as the state government administration has asked farmers to remain vigilant on the pest infestation, industry people have raised concerns if farmers could afford the solutions required.

Senior scientists at the Central Institute of Cotton Research (CICR), Nagpur said that the institute had been issuing advisories to farmers right from the start of the season. There are cases where farmers do not follow the stipulated guidelines resulting in the pest attack.

This season, there has been a concern of the appearance of pink bollworm in parts of Maharashtra, Gujarat and some parts of Telangana, senior scientists at the Institute said. The government should take steps to ensure that the farmers follow given guidelines, MS Ladhaniya, director, CICR said.

According to officials, around 5-10% of farmers start sowing cotton in April-May period while 90% of the farmers in the state start planting after the third week of June, which means the flowering stage occurs in September. What usually happens is farmers keep the crop standing in fields for a long time and continue picking till February -March. Pink bollworm is a winter pest. It causes damage mainly in November, which can be prevented. Lack of timely and appropriate management initiatives has led to continuous proliferation of the insect.

Farmers do not initiate ant control measures against any bollworms on Bt-cotton. Senior officials at CICR said that they have been issuing advisories to farmers to avoid long-duration varieties/hybrids in rain-fed farms, especially in the absence of any form of protective irrigation.

Short-duration varieties get adequate soil moisture during the critical flowering and fruiting phase and escape bollworm attacks during squaring-flowering stage but farmers sometimes tend to continue since cotton is still available for picking. The institute has advised the use of pheromone traps on the field.

Industry experts however, have expressed concerns if farmers could afford such traps. A pheromone trap with a chemical formulation consists of gossyplure and some other natural ingredients. The trap and the lure cost `20 plus taxes and a farmer ideally has to deploy about 40 such traps per acre for effective control of the pink bollworm.

Gossyplure, a pheromone, attracts the male moths of the pink bollworm. When set up in cotton fields infested with pink bollworm, the trap competes with the female pink bollworm moths for the male's attention, disrupting mating and curbing population growth of the dreaded pest.

The male moth lured by the pheromone, once trapped into the funnel-shaped trap, gets killed in the polythene cover attached to it after two days for want of food, Industry experts questioned the efficacy of the traps since farmers are not in a position to use the traps for their entire field.

Keshav Kranthi, former director of CICR who had extensively worked on this issue, had said that the simplest and most potent way to overcome the problem is to take up timely sowing and cultivate early maturing short-duration varieties of about 150 days duration. Besides, other strategies such as avoidance of excess urea + OP insecticides, use of light traps, pheromone traps, bio-pesticides, biological control etc are also used.

According to MG Shembekar, vice president, National Seeds Association of India (NSAI), this time the appearance of the worm in the early stages of planting has become cause for concern for the farmers and industry alike. It started from Gujarat and has spread to parts of Maharashtra including Jalgaon, Dhule, Aurngabad, Jalna, parts of Andhra and Telangana, he said.

Shembekar said that the Association has urged all seed company members to create awareness among farmers at the ground level through poster campaigns and sending staff at the ground level to educate farmers. Around 90% of the cotton crop in the country is BT Cotton.

Source: financialexpress.com- Aug 04, 2017

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With Patanjali set to make pants, will Baba Ramdev stretch the textile sector?

Don't be surprised if you see Patanjali-branded garments the next time you visit Shoppers Stop or Lifestyle. After making its presence felt in the FMCG space, where it crossed a turnover of Rs 10,000 crore in a fairly short span of time, Patanjali is now eyeing the textile market.

India's FMCG heavyweights such as HUL, ITC, and Nestle, among others, bore the brunt of the so-called Patanjali wave, apparent from their falling market share and increased spending on advertisements. With branded apparel next on Patanjali's radar, what lies in store for its textile peers?

The textile foray

Recently, Patanjali Ayurved announced its plans to launch its clothing line across four categories (knit wear, woven wear, denims, ethnic wear) in the summer of 2018. The garments, manufactured by adopting a combination of its own processes and outsourcing, will span menswear, womenswear, and childrenswear. Retailing of products would be undertaken through company-owned stores and franchise outlets.

Preliminary impressions of the ambitious plan suggest that textile companies in the home textile, technical textile, and core yarn/fabric manufacturing may not face issues owing to the move.

Since Patanjali is expected to focus more on the domestic market, apparel firms, which derive a significant percentage of their revenue from exports, will not have much to worry about, at least initially. Nonetheless, the possibility of international markets being explored by the Haridwar-headquartered company cannot be ruled out in the long-run.

Furthermore, the swadeshi brand, prima facie, will aim to gain market share in the mid to low end of the market by selling its products at competitive price points. Therefore, premium and high-end apparel players, who have large presence in metros, are unlikely to be its direct competitors.

Segment	Companies	FY17 Sales (Rs Cr)	Mkt Cap (Rs Cr)	Brands Portfolio
Denim	Aarvee Denims & Exports	838	143	-
Retail	Aditya Birla Fashion & Retail	6,603	13,457	Louis Phillipe, Van Heusen, Allen Solly, Peter England
Denim	Arvind	5,956	9,373	Arrow, US Polo, Izod, Elle, Cherokee, Megamart
Garments	Bang Overseas	175	49	Thomas Scott, Italian Gold, Hammersmith, Bang & Scott, Bang Europa
Garments	Cantabil Retail India	161	113	CANTABIL, Bonetti, Kaneston, CROZO, KINGSWOOD
Garments	Celebrity Fashions	191	80	-
Garments	E-Land Apparel	215	102	E-LAND
Retail	Future Retail	16,686	18,798	Big Bazaar
Garments	Gokaldas Exports	844	303	-
Garments	Indian Terrain Fashion	400	778	Indian Terrain
Denim	K G Denim	618	180	-
Garments	Kewal Kiran Clothing	488	2,063	Killer, Easies, LawmanPg3, Integriti
Garments	Kitex Garments	485	1,703	-
Garments	Mandhana Industries	517	28	-
Garments	Mandhana Retail Ventures	216	334	Being Human
Knitwear	Monte Carlo Fashions	584	1,052	Monte Carlo
Denim	Nandan Denim	1,220	677	-
Garments	Page Industries	2,130	18,246	Jockey, Speedo
Garments	PDS Multinational Fashions	4,616	654	-
Garments	Pearl Global Industries	1,524	343	-
Fabric & Garments	Raymond	2,822	4,675	Ready To Wear, ColorPlus, Parx, Park Avenue
Garments	Samtex Fashions	1,282	42	-
Retail	Shoppers Stop	4,910	2,966	STOP, Kashish, Life, Haute Curry, Velorio Fratini, Elliza Donatein
Garments	Siyaram Silk Mills	1,574	1,965	Siyaram's, J. Hampstead, Oxemberg, Siya, Cadini
Garments	SP Apparel	636	1,109	Crocodile, Natalia
Garments	Suditi Industries	124	118	Indianink
Garments	Zodiac Clothing Company	285	394	ZODIAC, Z3, ZOD!
	TOTAL	56,101	79,744	

Source: Capitaline, Moneycontrol Research

Unorganised players to face the heat

While Patanjali will affect some of the large players (since it has set a top-line target of Rs 5,000 crore in the first year itself), it will affect the unorganised textile manufacturers even more, who are already reeling under GST-induced pressure.

Stiff price competition could force organised players to keep their margins in check, too, contrary to our expectation of a margin expansion, as the industry shifts from unorganised units to the organised ones.

Additionally, GST will be advantageous to Baba Ramdev's brand because rates on apparel are more or less tax neutral (at 12 percent for those costing

Rs 1,000 or more, at 5 percent on those sold below Rs 1,000) vis-a-vis the pre-GST tax structure.

A deeper analytical drilldown of the announcement indicates that manufacturers/dealers with greater presence in the entry level to moderate-tier branded/unbranded garments (a segment where pricing plays a pivotal role in influencing demand) will face the biggest challenge. However, the real impact of Patanjali's entry will be predominantly visible at the start in India's tier 3, semi-urban, and rural areas.

Patanjali's success in the textile domain is not necessarily guaranteed. Nevertheless, given the disruptions that the company has caused so far in the consumer staples realm, it would be a huge mistake for the competition to be complacent.

Source: moneycontrol.com- Aug 04, 2017

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India-West Africa business forum and exhibition begins August 16

The Federation of Indian Chambers of Commerce and Industry (FICCI), the apex Chamber of Commerce of India, in partnership with the Ministry of Commerce and Industry and Government of India is organizing its flagship business initiative “Namaskar Africa” on August 16-17, 2017 at Ghana International Trade Fair Centre, Accra.

Namaskar Africa 2017 is expected to enhance and diversify India’s economic engagement with the West Africa region and position Ghana as a gateway and preferred destination for investment and trade.

This event will also have significant business components: India-West Africa Business Forum, Business Exhibition and pre-planned B2B and B2G Meetings.

The focus sectors for Namaskar Africa are Agriculture & Food Processing, Automobile, Healthcare and Pharmaceuticals, Education, Energy, Infrastructure and Construction, Textiles & Clothing, etc.

FICCI would be mounting an industry delegation of around 60 Indian companies representing the above mentioned sectors to participate in the Namaskar Africa Business Forum and Exhibition. The event is expected to witness industry participation from Ghana as well as several countries from West Africa.

Namaskar Africa will be inaugurated by Mr M.J. Akbar, Hon. Minister of State for External Affairs and Government of India.

Namaskar Africa 2017, is supported by the Government of Ghana, Government of India, Economic Community of West African States (ECOWAS), Association of Ghana Industries (AGI) and Ghana National Chamber of Commerce (GNCC).

This event is partnered by Shapoorji Pallonji Group, CRISIL, Times of Africa and Tata Africa.

Source: ghanaweb.com- Aug 03, 2017

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State framing new textile policy, local units will benefit: Minister

Handlooms and textile minister OS Manian on Thursday said the Tamil Nadu government would soon frame a new textile policy taking into consideration demands and suggestions from the textile sector.

Talking to reporters after chairing a meeting here, the minister said the new textile policy would be drafted to help the textile sector grow further. "I will discuss with chief minister Edappadi K Palaniswami about the issues raised by the industrialists here. We will take a favourable decision," he said.

However, he chose not to give a timeframe for announcing the new policy.

Manian said the textile sector in Tirupur and Coimbatore has been hit by GST. "State finance minister D Jayakumar would raise the issue in the GST council meeting scheduled on August 5.

The inconsistencies in GST pointed out by industrialists would be raised in the meeting. I hope the Centre will address our concerns and bring down the tax rates for textile sector to pre-GST level," he said.

Textile unit owners in Tirupur have been asking for revision of GST rate for job working units from 18% to 5% and GST reduction from 18% to 12% for man-made fibre textile products. The textile units have also been asking for a State textile policy with features that would aid the growth of the sector.

Meanwhile, Raja Shanmugam of the Tirupur Exportes Association said the textile policy has been pending for a long time. "States like Gujarat, Maharashtra, Karnataka, Madhya Pradesh, Andhra Pradesh and Rajasthan have announced textile policy, which attracted many entrepreneurs to those States.

The textile policy of TN should provide 8% interest subsidy, 10% capital subsidy to modernise or expand garment units just like the Gujarat Textile Policy 2012," he said.

Regional chairman of the Federation of Indian Export Organisations A Sakthivel requested the minister to set up a textiles export promotion board. He also called for setting up a technical textile park, integrated textiles park and marketing support for the textile industry.

"A technical textile sector cluster should be set up near Tirupur on 100 hectares of land, which will have about 60 technical textile manufacturers along with research and development facility and common effluent treatment plants," he said.

Source: timesofindia.com- Aug 04, 2017

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Mumbai to host 6th Edition of Techtextil India in Sept

With India's contribution in the technical textile industry expected to reach Rs 1,16,217 crore by 2017-18 growing at 12 per cent CAGR, the 6th edition of Techtextil India fair in Mumbai this September will showcase the latest technology in technical textile and machinery. The fair will have space dedicated to 10 product groups and 12 application areas.

Scheduled from 13 to 15 September at the Bombay Convention and Exhibition Centre, representatives from Germany, China, Korea, Switzerland, Italy, Belarus and several other countries will be showcasing the latest trends and technologies in this sector, according to a press release from the organisers of the trade fair.

The show space will be increased by half over the last edition and will cover textile technologies related to agriculture, building, clothing and protective clothing, geo-technology, housing and home, medical science, environmental protection, automotive, packaging and sports.

Companies such as Reliance, Welspun. GrozBeckert, Garware Wall Ropes, KhoslaProfil, Luwa India, Lenzing AG, Archroma and CHT India will display their latest innovations.

Techtextil started in Germany in 1986, while its Indian edition, Techtextil India, was launched in 2007.

Apart from pre-arranged buyer-seller meets, Techtextil India also conducts a symposium. Some specific topics to be highlighted this year are protective agro-textiles, textiles in aerospace applications and fibre innovations for functional and value-added nonwovens.

Another important feature will be the launch of the Texprocess Pavilion, which will provide all garment machinery manufacturers a platform to display their innovations and build a new and strong client base. At the same time, the pavilion will allow Indian market to see how these solutions can help expand their existing capabilities.

Source: technicaltextile.net- Aug 03, 2017

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Wazir Textile Index reflects stagnation in textile & apparel exports in FY17

In order to assess the overall financial performance of Indian textile sector on a continuous basis, Wazir Advisors has developed the Wazir Textile Index (WTI). This index gives the collective performance of select top 10 listed textile companies (by sales) of 2015-16 as the base/benchmark, represented by the base Index number 100.

The base is taken for each quarters and full financial year performance of the companies in 2015-16. Financial performance of the textile industry will be benchmarked on this base number to assess quarterly (Q1), half yearly (H1), nine monthly (9M) and yearly performance (FY) for future years against the set benchmark. WTI includes the following three components: WTI Sales, WTI EBITDA, and WTI Cost.

Marginal improvement

As per latest WTI, India’s real GDP increased from Rs 114 lakh crore to Rs 122 lakh crore, in 2017, with a growth rate of 7.1 per cent. Textiles saw an IIP increase of 1 per cent from 156.4 to 158 while IIP for apparel dipped by 1 per cent from 192 to 189.6 in FY17 compared to FY16. With an increase of 1 per cent, WPI stood at 141.8 in FY17.

Stagnant exports

Textile and apparel exports in FY17 declined at the rate 0.2 per cent from previous year, to reach $36.6 bn. Apparel had majority share in exports valued at $17.4 bn. Exports of filament yarn, apparel and home textile categories registered a growth in FY17.

Highest growth was observed in filament yarn exports which grew at 9 per cent from $1.01 bn to $1.11 bn in FY17.

However, exports of fibre, spun yarn, fabric et al declined. Highest fall was registered by fibre, a decrease of 8 per cent from $2.7 to 2.5 bn in FY17. Exports of both yarn and fabric categories fell by 5 per cent each in FY17.

The US and UAE stood as the largest export markets for India, with a cumulative share of 34 per cent, a 2 per cent rise over last year. Exports to UK and China & Hong Kong decreased 1 per cent in FY17 while exports to Bangladesh remained the same.

Increased imports

Clocking in $6 bn, textile and apparel imports in FY17 increased at 3.1 per cent from previous year. Growth was due to a significant increase in fibre imports by 41 per cent over FY16. However, imports of other major categories like yarn, home textiles & fabric declined at 26 per cent, 23 per cent and 8 per cent respectively.

China continued to be India's largest import partner, however, its share in total imports fell 6 per cent while Australia's import share increased significantly from 3 to 7 per cent due to an unprecedented 845 per cent growth in cotton fibre imports. Imports from the US also increased at 3 per cent while imports from Vietnam remained the same.

Raw material price hike

On an average, raw cotton and viscose staple fibre prices increased 19 per cent and 7 per cent respectively while polyester staple fibre prices declined by 2 per cent in FY17. There was an increase in cotton yarn and polyester viscose blended yarn average prices growing at 5 per cent and 6 per cent respectively in FY17. However, polyester cotton blended yarn registered a decline of 7 per cent in FY17 compared to FY16.

Following this performance evaluation, it remains to be seen how the industry battles the GST demon

Source: fashionatingworld.com- Aug 03, 2017

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Pass on repo rate cut urge Tirupur Knitwear Exporters

The president of the Tirupur Exporters' Association (TEA) Raja M Shanmugham has appealed to banks to pass on the rate cut benefits to exporters, who have been allegedly struggling and facing hiccups post GST. Exports' associations in the region have welcomed the monetary policy committee's move to bring down repo rate from 6.25 per cent to 6 per cent.

Shanmugham has said the association had made representations to all banks for enhancing the limit to ease the working capital blockage. The entire business community expected it, as inflation is coming down, said Sakthivel and urged the RBI governor to take necessary steps to see all banks cut lending rates immediately as there is scope for the banks to reduce interest rate further beyond RBI rate cut.

A reduction of 50 basis points in key lending rate has been announced this time, as inflation has come down to 1.54 per cent in June. Inflation in May 2017 was 2.18 per cent, in June 2016 it was 5.77 per cent, says Sakthivel.

Economic growth unexpectedly slowed to its lowest in more than two years. Manufacturing sector contracted in July following the GST. Exporters are facing serious working capital crunch and hence adequate availability of cheaper fund, especially for MSME sector, is the need of the hour to make products competitive in the international market, Sakthivel added.

Source: fashionatingworld.com- Aug 03, 2017

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