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INTERNATIONAL NEWS

Global fiscal recovery to slow in 2022 & 2023: Fitch Ratings

The global fiscal recovery in 2021 that followed the COVID-19 shock of 2020 has slowed sharply, affected by higher commodity prices, rising inflation more generally, increased borrowing costs, slowing real GDP growth and the war in Ukraine, as per a recent report by Fitch Ratings. The 2022 and 2023 global Fitch Fiscal Index (FFI) medians confirm continued – but much slower – fiscal recoveries.

On the 2022-2023 pace, the median global fiscal position would return to its pre-pandemic level in 2029.

“Higher inflation accompanied by slowing economic growth does not represent the same policy dilemma to the fiscal authorities as it does to central banks. Most Fitch-rated sovereigns have already introduced fiscal support measures to help households and businesses cope with accelerating prices, and more such policies are expected if prices remain elevated,” said Fitch in its report titled Global Fiscal Recovery Interrupted.

Policy interest rates are rising, and Fitch believes this marks an end to the era of very low government borrowing costs, which have primarily benefitted developed-market sovereigns. Even so, it is real interest rates that matter for growth, and real rates relative to real GDP growth that matter for government debt dynamics. Long debt maturities imply rising interest-service burdens will materialise only gradually.

Emerging-market fiscal positions are more divergent than they were pre-pandemic. This is due in part to the surge in commodity prices that is supporting government revenue and nominal GDP growth in commodity-exporting regions, including the Gulf Cooperation Council and Latin America.

With greater fiscal divergence has come greater ratings divergence. The number of sovereigns rated ‘CCC’ or lower has been at or near a historical high since late-2020. Current global credit conditions and those expected by Fitch for the next year suggest continued fiscal and rating stresses ahead.

The COVID-19 crisis resulted in a record 51 downgrades of 33 sovereigns in 2020. Fitch Ratings downgraded several sovereigns more than once, and there were six multi-notch downgrades.

Rating actions were driven primarily by fiscal deteriorations, with almost all sovereigns running larger deficits, resulting in higher debt ratios. The average sovereign rating is 0.4 notches lower than end-2019.

Source: fibre2fashion.com– May 17, 2022

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China's index of export container transport down 6% MoM in April

The China Containerized Freight Index (CCFI), the index of export container transport, witnessed a decline of 6 per cent month on month (MoM) to reach 3,131.53 in April 2022, according to data released by the Shanghai Shipping Exchange.

The drop was led by the sub-reading for the Persian Gulf/Red Sea service that dropped by 15.8 per cent month on month in April, followed by the sub-reading of the South America service which decreased by 14.3 per cent compared to the previous month, said Chinese media reports quoting the data shared by the Shanghai Shipping Exchange.

Japan service's sub-reading witnessed an increase of 6.3 per cent in April, compared to March.

The index tracks contractual and spot freight rates for 12 international shipping routes from Chinese container ports. It is based on data from twenty-two international carriers. It was set at 1,000 in 1998.

Source: fibre2fashion.com– May 17, 2022

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Canada's apparel imports surge 13.63% in Q1'22

Canada's apparel imports surged by 13.63 per cent in Q1 '22 to $2.44 billion, as per official statistics.

As per an Apparel Resources report, imports from China surged by 9 per cent Y-o-Y to $735.23 million in Q1 '22. The share of China reduced to 30 per cent in Canadian apparel import values during Q1 '22 from 31.40 per cent in Q1 '21.

Imports from Bangladesh surged by 35.28 per cent Y-o-Y to $366.61 million in the review period. Imports from Vietnam grew by 14.44 per cent to $293.16 million, whereas imports from Cambodia declined significantly by 14.60 per cent on Y-o-Y basis to $213.65 million.

Apparel imports from India surged by highest 46.38 per cent Y-o-Y to $94.69 million.

Source: fashionatingworld.com– May 17, 2022

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Japan's textile and apparel imports grow 15.9% in March

Japan's textile and apparel imports increased 15.9 per cent to 349.36 billion yen in March this year. Apparel imports increased 15.2 per cent Y-o-Y and 25.6 per cent M-o-M to 247.7 billion yen during the month. Of this, imports from China increased 19.3 per cent Y-o-Y and 32.8 per cent M-o-M to 193.93 billion yen in March,

The Russia-Ukraine conflict had led to over 13 per cent fall in value of Japanese yen against the US dollar in less than two months. This caused the volume and value of Japan's textile and apparel imports to slip month-on-month and year-on-year in February this year.

As per a CCF Group report, Japan's textile and apparel imports declined 3.4 per cent Y-o-Y to 277.41 billion yen in February. Its imports from China had declined by 8.8 per cent Y-o-Y to 146 billion yen, Japan's apparel imports declined by 6.2 per cent Y-o-Y to 197.3 billion yen, of which imports from China declined by 10.6 per cent Y-o-Y to 104 billion yen.

Source: fashionatingworld.com– May 17, 2022

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China's Zero-Covid Policy Triggers Raw-Material Scramble in Vietnam

China's zero-Covid policy is doing a number on Vietnam.

The Vietnam Textile and Apparel Association (VITAS) told Sourcing Journal that many of its members are facing difficulties—albeit temporary ones, it insisted—due to logistical bottlenecks that are tying up much-needed raw materials from China.

Vietnam's garment industry, the trade group said, is taking a "flexible adaptation" approach, the same one it employed during the crippling Covid-19 wave last year, when widespread factory closures sharply curtailed the availability of products for brands such as Adidas and Nike.

Some affected businesses are working with their Chinese partners to transport raw materials by sea, which takes longer. Others are negotiating with their customers to push back delivery times or prioritizing orders with enough materials to produce first "so it does not affect the production of textile businesses that much," VITAS said.

In a note issued by Oxford Economics Monday, the contraction of China's economic activity in April was the "most severe" since the first wave of Covid-19 in 2020's first quarter.

The prolonged Shanghai lockdown and logistics delays resulting from highway controls in parts of China, have "severely affected" domestic supply chains, the economic forecaster said, adding that industrial value added fell 2.9 percent year over year.

"The disruption to economic activity could well extend into June," wrote Tommy Wu, lead China economist at Oxford Economics. "Even though Shanghai will gradually resume shop operations starting from today as new Covid cases have fallen significantly in recent days, the resumption to normalcy will likely be very gradual at the beginning. Also, the logistics recovery will likely take weeks as the government continues to smooth highway controls and Covid testing in various parts of China."

Adidas cut its profit outlook earlier this month after noting that supply bottlenecks in Vietnam have reduced the availability of products, affecting sales. The country's shoe factories obtain some 60 percent of their inputs from China, according to the Vietnam Leather Footwear and Handbag Association. Overall, Vietnam's imports from China rose 30 percent last year to $110 billion, with machinery, electronics and fabrics among the biggest shipments.

Vietnam has been in this predicament before. When the coronavirus first shut down China two years ago, the nation was besieged by the same shortage of raw material that left suppliers scrambling. Critics have said that Vietnam's reliance on China, with whom it has a tremendous trade deficit, has disincentivized local businesses from shoring up their manufacturing capacity.

"Textile providers need to get their [expletive] together to facilitate raw materials produced in Vietnam," Greg Fleming, a supply chain expert in Vietnam and former chief operations officer of Elise Fashion, told Sourcing Journal. While up to 99 percent of all materials that "anyone would want" can be made in Vietnam right now, there is a dearth of R&D from spinners and fabric makers to pave the way for more wholesale business, he said.

"There is still an old-school mentality in Vietnam, which is still derived from CM manufacturing," he said, meaning that the buyer is responsible for fabrics, trims and accessories. "So until the ecosystem in Vietnam is developed from a brand sourcing office scenario in Vietnam to a factory in Vietnam and then back to the design teams offshore, we will continue to have these problems."

At a parliament meeting in March, Nguyen Hong Dien, Vietnam's industry and trade minister, said that the country needs to diversify its source of materials from China, though he added that this "is a challenge for the global economy, not only for Vietnam."

He said that the ministry is working with Chinese authorities to maintain a "green lane" for trafficking goods between the two countries, and that local firms must also be encouraged to increase their production of materials. "Chinese materials and equipment are important for Vietnam's manufacturing sector, especially for garment and footwear production," Dien said.

VITAS is still bullish about the sector's outlook, however. Textile exports in the first four months of 2022 are still projected to increase by 20.5 percent compared with the same period last year, it said.

Source: sourcingjournal.com– May 16, 2022

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USA: Why Higher Cotton Prices Come with Some Positives (Really!)

Cotton pricing depends on various factors, including basic supply and demand. Due to pandemic pressures, the market has experienced volatility as circumstances changed rapidly. Although Supima and other extra-long staple cottons are unique in the market, these premium fibers have also been riding a pricing rollercoaster.

"Extra-long staple cottons in general have a bit more variability around the marketplace, depending on the origin and their availability," said Marc Lewkowitz, President and CEO of Supima, the American Pima cotton organization. Recently, the price for Supima has surged to $3.50 a pound from just $1.34 per pound at the end of 2020.

During a recent Fireside Chat with Sourcing Journal founder and President Edward Hertzman, Lewkowitz explained that Supima's supply has declined over the last several seasons. Last year saw recent record low production of 330,000 bales, and while this coming year the crop is expected to rebound to maybe 400,000 bales, it is still just half of the 800,000 figure from four years ago.

For brands, higher prices are not necessarily a bad thing. Lewkowitz noted that volatility is substantially more of a challenge for sourcing. He views an opportunity for stability and a "normal sourcing platform" due to more consistent—yet higher—prices. "It won't be the same because you won't have the same efficiencies, which means costs will have to be higher, but you'll be able to have more of a regular process for sourcing," he said.

Raw material procurement might be getting more expensive, but so is cotton growing. Costs tied to labor, chemicals and equipment have all gone up.

Across the supply chain, costs are also rising as companies work to meet sustainability demands. They are also investing to boost efficiency at the spinning, textile, and garment manufacturing stages, such as adding automation and robotics for production. "All of these things are going to provide advantages, but they're going to take time to facilitate those economies of scale that often lead to a bit of price reduction," said Lewkowitz.

Another thing changing in material sourcing is brands' desire and demand to know the origin of cotton, including the location where fibers were grown and the practices used by the grower. "Brands are willing to take the time and energy to have a better insight and better understanding of who they are working with and where that cotton is coming from," said Lewkowitz. "They want to get back to knowing who that grower is."

To help retailers gain the details they need, Supima has been working with Oritain on forensic traceability. This is an added value and industry first in real authentication as brands look to speak about sustainability to the end consumer.

"One of the biggest challenges in terms of sustainability and authenticity is there's not much that you can say unless you can prove the origin," said Lewkowitz. "In partnership with our brands and retailers, we have this great circular conversation of continual education, diving a little bit deeper into the sourcing data to help validate their products to position them as the most responsible and the most authentic product that's in the marketplace."

Source: sourcingjournal.com– May 16, 2022

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EU's exports of textiles, clothing articles went up by 10.6% in 2021

In 2021, EU exports of textile and clothing articles increased by 10.6 per cent, while imports dipped by 7.5 per cent, as per the EURATEX spring report which offers a detailed insight into trade figures for the European textile and apparel industry in 2021. The numbers of 2021 are encouraging, when compared with the dramatic corona-year 2020.

As a result, the EU trade deficit improved, even it remains significant (-€48 billion). Furthermore, import prices went slightly down in clothing and dropped in textiles, following a strong decrease of Chinese import prices of face masks and protective medical supplies, as per the report.

The boost in exports was mainly due to strong performance on the Swiss, Chinese and US markets. On the other side, EU sales of textile & clothing to the United Kingdom fell sharply (-23 per cent), due to Brexit new requirements, customs' delays and shortage of truck drivers. Imports from the EU top supplier, China, plunged by -28 per cent, corresponding to €13 billion. Similarly, textile and clothing imports from the United Kingdom recorded a sharp decrease over the period (-48 per cent, equal to -€3 billion).

"The 2021 export figures, presented in this Spring report, confirm that EURATEX members have gained momentum; even if energy prices are causing some serious short-term disruptions, our long-term ambition remains to be a world leader on sustainable textiles," director general Dirk Vantyghem said.

The international trade dimension is indeed critical for the competitiveness of the European textile ecosystem, and needs to be fully embedded in the EU's strategy for sustainable and circular textiles. The commission insists that "all textile products placed on the EU market, are durable, free of hazardous substances, produced respecting social standards…". This is an essential condition to create a level playing field between all textile and apparel companies, regardless of their production base. With €100 billion of imports, and over 20 billion of 'foreign' textile items put on the single market, this requires a dramatic upscaling of market surveillance, without however disrupting fluid supply chains.

Looking at the impact of war in Ukraine, EURATEX has strongly condemned the Russian aggression, and offered support to the Ukrainian textile industry.

Ukraine offers valuable sourcing opportunities for European textile and apparel brands, as part of a broader nearshoring trend, which seems to emerge from the trade figures.

Source: fibre2fashion.com– May 17, 2022

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Could Sri Lanka's Political Crisis Affect Bangladeshi Exports?

Sri Lanka's top garment-industry group issued a call for political stability in the island nation, where the prime minister's resignation has failed to quell anti-government protests raging over the deepening political and economic crisis.

Mahinda Rajapaksa, whose brother Gotabaya serves as president, stepped down Tuesday after violent clashes the prior evening resulted in the deaths of eight people, including a ruling party member of parliament. His departure followed a pre-dawn rescue by Sri Lankan troops, who fired warning shots in the air to disperse a throng of demonstrators who had breached his official residence in Colombo and were lobbing petrol bombs.

The country quickly plunged into curfew, though Thursday saw a few hours of respite. Tanks are still patrolling the streets and police and soldiers have orders to shoot anyone damaging public property or causing a disturbance.

"The violence that erupted on the streets of Colombo and in other parts of Sri Lanka on Monday, and the resultant loss of life is both unfortunate and deeply saddening. We empathize with the people's distress over the extraordinary adverse impact of the economic crisis on their lives and livelihoods," the Joint Apparel Association Forum (JAAF) said in a statement last week. "However, violence that costs precious human lives deserves our utmost condemnation."

The organization, which represents apparel manufacturers in Sri Lanka, said it is critical that a new government be appointed "urgently" to fill the current political vacuum. Though Mahinda's resignation was meant to make way for a new cross-party government, the newly appointed Ranil Wickremesinghe, whose return as prime minister marks his sixth term, has struggled to establish a unity government. He is viewed as being close to the Rajapaksa family, and several opposition leaders have said that they will not settle for less than Gotabaya's abdication.

"We call upon leaders and authorities to immediately restore political stability across the country," JAAF said. "They should also ensure a safe living and working environment for all people, as we collectively navigate through this very difficult crisis. By the same token, we strongly support the efforts taken by the Bar Association of Sri Lanka to ensure a peaceful, democratic transition of power."

Yohan Lawrence, secretary-general of JAAF, told Sourcing Journal that the "instability of the country and the lack of a stable government" has caused Western brands and retailers to place lower volumes in their upcoming spring/summer buys.

"Our call to the buying community is to continue to support Sri Lanka at this time as the apparel export sector is a crucial part of the economic recovery of the country," he said. Besides the protests, the South Asian nation has been plagued by fuel shortages, which could hobble production if they continue. Garments are the island nation's single-largest foreign income earner, contributing 6 percent to the country's overall gross domestic product while providing 350,000 people with direct employment.

MAS Holdings, one of Sri Lanka's largest apparel manufacturers, said that buyers have raised concerns over the current crisis and are following developments closely but that no ongoing orders have been canceled to date.

"MAS' operations in Sri Lanka have not been measurably impacted by the ongoing protests, and as exporters are permitted to continue operations during travel restrictions, they have not caused an impact on production timelines," a spokesperson told Sourcing Journal. "Buyers have confidence in the Sri Lankan industry because of its resilience in the past as well."

Similarly, Brandix, Sri Lanka's largest exporter, is continuing to navigate the challenges of the crisis, said Natasha Boralessa, its group director. "This is imperative to preserve the livelihoods of our team members, protect the industry and contribute to the country's export earnings," she told Sourcing Journal. "We have always maintained strong and trusting relationships with our buyers, which have been built over decades. We are confident that this sentiment will continue as Sri Lanka moves forward from the current crisis."

Some suppliers in Bangladesh have raised concerns about a possible spillover effect, since 40 percent of apparel shipments use the port of Colombo as a transshipment hub to reach the United States and Europe.

Shipping executives told the Financial Express that more than 10 feeder vessels carrying export goods are either waiting at or on their way to Colombo to connect with larger vessels destined for ports in the West.

"We have talked with the buyers' forums and shipping executives on Tuesday on how to avoid the Sri Lanka crisis that may affect the country's shipments," Nazrul Islam, first vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told the outlet, adding that they are also looking at alternative routes via China or Singapore.

Miran Ali, vice president of the BGMEA and managing director of the Bitopi Group, told Sourcing Journal that the implications of the Sri Lankan crisis on Bangladeshi exports will come into clearer focus in a few days. He conceded, however, that "potential disruption" is possible. Yohan said, however, that the port of Colombo is "operating well at the moment and there's no impact on the movement of cargo."

Source: sourcingjournal.com– May 16, 2022

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Inditex Backs Maersk's Bid for New Bangladesh Port Terminal: Report

Zara parent Inditex has reportedly inserted itself into A.P. Moller-Maersk's attempts to run a new container terminal in Bangladesh set to come online in the summer.

The company wrote government officials in Bangladesh in support of Maersk's APM Terminals running the Patenga Container Terminal, according to a report Friday from trade publication The Loadstar.

A spokesperson for Inditex could not immediately be reached for comment on the report Friday.

Inditex counted 129 factory suppliers in Bangladesh last year, according to the company's published data.

The Loadstar reported Inditex's top executive in Bangladesh Javier Santonja Olcina wrote to government officials in support of Maersk and APM, lauding the two for their efforts around sustainability.

APM has a target of achieving net zero greenhouse emissions by 2040.

The company counts Inditex's Zara brand as one of its customers, in addition to Nike, Walmart, Ikea, Disney, Unilever and Tesla among other companies.

APM operates terminals, while also providing services such as warehousing storage and transportation. It generated $4 billion in revenue last year with earnings before interest, taxes, depreciation and amortization of $1.5 billion.

The Patenga terminal, once completed, is estimated to handle 500,000 twenty-foot equivalent units (TEUs) annually and is part of the Chattogram port, which changed its name from Chittagong in 2018. The facility serves as the main port in Bangladesh and handled 3.2 million TEUs last year, which was up 13.2 percent from the prior year.

Maersk and APM entered the picture for Patenga in February as another contender to run the new terminal, which is targeting a July start to operations.

The company is vying for the contract alongside Red Sea Gateway Terminal based in Saudi Arabia, Adani Ports and Special Economic Zone Limited in India, PSA International of Singapore and DP World in Dubai.

DP World is the owner of P&O Ferries, a passenger and freight service in the U.K., that was widely criticized in March for an abrupt mass layoff of some 800 ferry workers.

Inditex is not the only group advocating on behalf of APM and Maersk being awarded the terminal contract.

An APM executive, along with the Danish ambassador and Danish head of trade, met with Bangladesh's shipping minister in February.

"The Danish company, which have been a trusted and reliable partner to Bangladesh since 1985 for inland logistics and supply chain management, is committed to green and sustainable infrastructure development," the Embassy of Denmark in Bangladesh wrote on its social media page back at the time of the meeting. "APM Terminals of the Maersk Group has a vision for Bangladesh's Patenga Container Terminal, which is aligned to the ambitious goals for having net-zero CO2 emissions from operations by 2050 or earlier."

Sustainability has become a major selling point among logistics companies as more and more of their apparel and other customers look to green their supply chains and also provide greater transparency around those efforts to the end consumer.

Inditex, more specifically, has set a net zero emissions target by 2040, along with a number of other initiatives in play.

The apparel company on Thursday said it inked a three-year deal with Infinited Fiber Company to buy 30 percent of Infinited's recycled textile fiber called Infinna. Inditex estimated it will spend more than 100 million euros ($104.1 million) over the course of the deal.

Source: sourcingjournal.com– May 16, 2022

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NATIONAL NEWS

Economy likely to grow 12-13 pc in Q1: Icra

Citing the second highest business activity index reading in 13 months in April, rating agency Icra on Tuesday forecast the economy to grow 12-13 per cent in the first quarter of the current fiscal.

However, Icra has maintained its annual GDP projection at 7.2 per cent for this fiscal citing worries over inflation and the resultant RBI tightening.

“Our business activity monitor for April at 115.7 indicates that activity was roughly 16 per cent higher than the year ago (period) and pre-COVID levels in spite of the global headwinds,” Icra Chief Economist Aditi Nayar told PTI.

This high growth may persist in May, especially on an annualised basis, which should translate into a double-digit GDP expansion in Q1 at 12-13 per cent. However, this may not sustain and the annual growth in volume and activity may moderate, she said.

According to her, higher input costs may dampen GVA growth to single-digits. “Therefore, we maintain our GDP growth forecast at 7.2 per cent for FY23”.

Citing rising inflation worries, she said the consumer price index is expected to average at 6.3-6.5 per cent this fiscal.

The biggest upside risks to inflation and growth come from the runaway fuel prices and the impact of the war in Ukraine. If the war does not de-escalate in the near term, the impact will be much farther than anticipated, she said.

This is also the primary reason for maintaining low GDP growth forecast at 7.2 per cent for the full year and higher one on a low base effect.

On the interest rate front, Nayar said the central bank is expected to hike rates by 25 basis points each in the June and August policy reviews and September action will depend on the direction of the war and its impact on the commodity prices.

Earlier in the day, the agency, in a report, said its business activity monitor stood at 115.7 in April, which is the second highest in 13 months and low base exaggerated growth to 16.1 per cent.

The index stood at 123.7 in March compared to 107.8 in February.

The monitor includes high frequency indicators related to 14 industrial and service sectors and is an index of high frequency economic indicators that gauge economic activity each month.

The monitor is constructed using 14 monthly high frequency indicators including auto production, output of Coal India, electricity generation, non-oil merchandise exports, rail freight traffic, ports cargo traffic and vehicle registrations.

Source: financialexpress.com – May 17, 2022

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Goyal meets textile industry to discuss rising cotton prices

Worried about galloping cotton prices and their effect on the textile industry, Minister for Commerce & Industry and Textiles Piyush Goyal met stakeholders — including garment manufacturers, spinners and traders of cotton and cotton yarn — on Tuesday to discuss various options of dealing with the situation.

"As the present situation is perceived differently by different stakeholders, it is important to see things from everyone's perspective. That is why the Minister called for a meeting of all stakeholders," an official said.

Cotton prices have almost doubled since the beginning of the current season seven months ago, from ₹55,000 per candy to over ₹1 lakh per candy, increasing input costs for textile and garments manufacturers.

In mid-April, the Centre had decided to remove the 11 per cent import duty on cotton till September 30 of this year; however, this did not dent cotton prices. Instead, cotton yarn manufacturers increased prices by ₹40 per kg across categories earlier this month; following this, garment units in Tirupur threatened to go on a strike.

Garment exporters have been calling for a short-term ban on export of cotton and cotton yarn to help cool prices so that they could retain their global competitiveness.

According to the Tamil Nadu Spinning Mills Association, the upward price revision of ₹40 per kg was not implemented by mills universally, either in Tamil Nadu or in other States. Most mills had either not brought about any change in the price of yarn or increased in minimally, it said.

"By and large, we allow market forces to operate. But if we see that there is a requirement for government intervention, it should be done. Whatever the Ministry will decide will be in the larger interest of the entire value chain," Textile Secretary Upendra Prasad Singh recently told BusinessLine in an interview.

Source: thehindubusinessline.com– May 17, 2022

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Shri Piyush Goyal chairs the 4th meeting of National Startup Advisory Council (NSAC)

The Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal today chaired the 4th meeting of National Startup Advisory Council (NSAC) in New Delhi.

Speaking on the occasion, the Minister assured continued government support in developing statrup ecosystem. He appreciated the work done by NSAC members and urged them to focus on tier 2 and tier 3 cities where limited VC funding is available.

He also emphasized on the need for capacity building and generating awareness about various initiatives of the government to promote startups in such cities. Members of the council have also been visiting states and interacting with startup entrepreneurs and students in educational institutions to understand and find ways to energize the startup ecosystem.

The Council deliberated upon important matters relating to startup ecosystem including protecting ownership of startups with original promoters, incorporating in India, listing in India, developing innovation hubs, etc. The members also shared progress on programs presented in earlier NSAC meetings including National Mentorship Program, Investor-Startup Matchmaking Portal, Incubator Capacity Development Program, etc.

The Minister also launched NavIC Grand Challenge which aims at promoting adoption of NavIC as geo-positioning solution, a key proponent for digital Aatmanirbharta. The applications for the grand challenge are open on Startup India's website (www.startupindia.gov.in) and it aims to identify and handhold solutions of startups which are engaged in developing NavIC enabled drones.

Department for Promotion of Industry and Internal Trade (DPIIT) had constituted the National Startup Advisory Council to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment opportunities.

Besides the ex-officio members, the council has non-official members, representing various stakeholders such as founders of successful startups, veterans who have grown and scaled companies in India, persons capable of representing interests of investors, incubators and accelerators into startups, representatives of associations of stakeholders of startups and representatives of industry associations.

It is a one of its kind congregation wherein the policy making process is driven as part of collaboration between all the key stakeholders of the Startup ecosystem.

Secretary, Department of Space also highlighted upon the various measures being undertaken by the Government in both strengthening NavIC's capabilities and in creating a holistic ecosystem of software and hardware around the same. In the meeting, Prasar Bharti showcased trailer of the second edition of Startup Champions 2.0 which will be aired on bouquet of Doordarshan channels in coming months.

The meeting was attended by key stakeholders, officials and existing startups in the country. Some of them include Shri Manoj Kohli, Country Head, Softbank India; Shri Deepak Garg, Founder & CEO, Rivigo Service; Shri Abhiraj Bhal, Co-founder, UrbanCompany; Shri Kunal Bahl, Co-founder & CEO, Snapdeal; Shri Sanjeev Bikhchandani, Founder & Executive Vice Chairman, InfoEdge; Ms. Lizzie Chapman, Co-founder & CEO, ZestMoney; Shri Kunal Upadhyay, IIM Ahmedabad; Shri Rajan Anandan, Sequoia Capital; Shri Karthik Reddy, Chairperson, Indian Venture and Alternate Capital Association; Shri Prashanth Prakash, Partner, Accel and others.

During the course of the meeting, the members also shared many interesting insights and views about the startup ecosystem and gave recommendations as to how the ecosystem can be strengthened further through various initiatives and programmes.

Source: pib.gov.in– May 17, 2022

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CII estimates India's GDP growth to be in 7.4-8.2% band

The Confederation of Indian Industry (CII) expects the country's gross domestic product (GDP) growth in fiscal 2022-23 in the 7.4-8.2 per cent range, with the outlook critically hinging on the trajectory of global crude oil prices, according to its president Sanjiv Bajaj. He was addressing the media for the first time after taking over as president.

"Global headwinds and inflation will have to be countered with robust policy reforms, both domestic and external sector reforms, to unlock the growth potential of the economy. Tailwinds that are supportive of growth in the short-term include government capex, private sector investment which is showing an uptick aided by strong demand in some sectors, and the PLI [performance-linked incentive] push in the others, good agriculture season on the back of the expectations of a good monsoon and positive export momentum," he was quoted as saying in a CII press release.

An immediate measure to moderate inflation could be to moderate taxes on fuel products, which constitute a large share of the retail pump prices of petrol and diesel. CII would encourage the central and state governments to collaborate in reducing these duties, he said.

Bajaj said India has the potential to become a $40 trillion economy by 2047, with milestones at $5 trillion by 2026-27 and $9 trillion by 2030-31.

Manufacturing and services will be the twin engines of growth. The enabling policies of the government, particularly the PLI scheme, are expected to push manufacturing sector's contribution in the gross value added (GVA) to 27 per cent by fiscal 2047-48, he said.

Bajaj outlined a 10-point agenda for the government.

First, both central and state governments must increase their expenditure on public health and education to make these services accessible to all. This will drive inclusive and equitable growth, improve workforce productivity, and make the economy more resilient.

This will also drive consumption demand the biggest engine of the economy, by reducing out of pocket expenses on these two essentials leaving people with more to spend. Further, the process of providing universal coverage in health and education will create good quality jobs at scale.

Second, India should focus on scale and technology to power Atmanirbhar Bharat. More sectors should be brought under the PLI scheme, especially those which are labour-intensive like leather, footwear, toys, etc, and sectors where India's imports are high, but there is a possibility of building a competitive domestic industry.

Rural Manufacturing should be encouraged to take manufacturing to where the labour is. The government should also support smart manufacturing.

Third, employment-linked incentive (ELI) schemes should be launched for select services sectors that have high growth potential, can generate jobs and can earn foreign exchange.

Fourth, the cost of doing business (CoDB) should be reduced and the judicial system should be de-clogged to help businesses facing court cases. These could be achieved by initiating power sector reforms, bringing fuels under the goods and services tax, expediting Gati Shakti and onboarding states, and speeding up resolution of commercial disputes.

Bajaj announced that CII will build a CoDB index for comparing CoDB across Indian states. High logistics costs being one of the key drivers of higher costs of manufacturing in India, CII will develop a Logistics Policy for five states and also conduct a study to assess the level of logistics outsourcing aimed at reducing costs.

Other points included financial sector reforms, a synchronised approach towards technology, stepping up engagement with the rest of the world, preparing sectoral road maps for net zero transition and forming councils for consensus building on reforms related to land, labour, power and agriculture.

Source: fibre2fashion.com– May 17, 2022

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Textile industry asked to reduce cotton, yarn exports

Union Textile Minister Piyush Goyal has urged the textile industry to reduce cotton and yarn exports voluntarily.

The Minister held a meeting in New Delhi on Tuesday with cotton textile value chain stakeholders because of high cotton and yarn prices. Several textile clusters in Tamil Nadu went on strike on Monday and Tuesday demanding measures to control the raw material prices.

Industry representatives, who participated in the meeting on Tuesday, said the Minister called for voluntary reduction of cotton and yarn exports to bring down prices.

He also said contracts made till September 30 for cotton imports would be permitted duty-free imports. A high level committee would be formed to look at increasing cotton productivity.

The Minister also asked the industry to look at long-term contract with cotton farmers for better price stability.

Source: thehindu.com– May 17, 2022

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Govt may ban cotton exports until September as last resort

Cotton exports may be banned until September if other steps to cool record high cotton prices fail to deliver, two people aware of the development said, after the government Tuesday brainstormed urgent measures with industry players.

The government asked industry players at the crucial meeting to come back with specific suggestions by Monday while urging exporters to voluntarily moderate their overseas shipments.

At the meeting, convened by Piyush Goyal, minister for commerce and industry, consumer affairs and textiles, officials and industry executives discussed a blanket ban on exports until September as the last option on the table, according to the two people cited above, who attended the meeting.

Pressure is mounting on the government to intervene in the market amid a surge in cotton prices hitting textile manufacturers across the country. Wholesale price index-based inflation for textiles, which has been in double digits for the past several months, climbed to 12.98% in April, as per official data released earlier in the day.

Goyal asked industry representatives to form a committee and get back to him with a solution by the end of the week, said one of the officials mentioned above. Only after other solutions are exhausted could the government move to ban exports, the person said.

“Government has advised cotton exporters to make sure they reduce the exports by 25% compared last year so that more yarn is available for domestic consumption," the other person quoted above said.

A large number of textile manufacturers asked for a ban on cotton exports. Industry executives said a number of other suggestions were made.

The Federation of Indian Export Organisations (FEIO) informed the ministry that high input costs are posing a challenge to exporters. It suggested that cotton be brought under the Essential Commodities Act, which allows the government to control the price, production, supply and distribution of commodities placed under the list.

A government official said such a proposal must come from the textile ministry. “For cotton to be brought under Essential Commodities Act, ministry of textiles will have to make the request to the Directorate General of Foreign Trade (DGFT). Such a request has not reached DGFT yet," said the official, who also asked not to be named.

“Certain inputs like cotton may be brought under the Essential Commodities Act and Cotton Corp. of India (a state-owned trader) may be asked to sell cotton to the actual users only," FIEO said.

Earlier this year, the government reduced the import duty on raw cotton by 10% until September. However, this did not help in cooling down prices.

Textiles secretary Upendra Prasad Singh told Mint last month that a ban on cotton exports could be imposed if prices continue to surge. Cotton prices have doubled in barely a year to over ₹90,000 per candy, with the prices of some varieties touching ₹100,000 per candy. A ban could free up cotton for the domestic market and thus help soften prices.

High cotton prices affect the Indian textile industry disproportionately, as it is heavily dependent on cotton, unlike other markets where man-made fibre occupies a larger share.

Singh had said cotton prices are unlikely to decline before October when the new cotton crops arrive.

Emails sent to commerce and industry and textiles ministries and department of consumer affairs on Tuesday remained unanswered at the time of publication.

Source: livemint.com– May 18, 2022

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It's time to overhaul trade institutions

Export promotion bodies need to be revamped to create a new ecosystem. States, too, need to step up to the plate

India's merchandise exports have been remarkable in 2021-22 achieving the target of $400 billion well before the end of the financial year. Exports have increased from $290 billion in 2020-21 to $419 billion in 2021-22 reflecting an increase of more than 40 per cent on an annual basis.

The government is of the view that the momentum of India's merchandise exports needs to be sustained to achieve the ambitious export target of $1 trillion by 2030. In order to achieve this, the government has recalibrated its FTA strategy and has signed trade pacts with the United Arab Emirates (UAE) and Australia. It is also negotiating FTAs with the UK, Israel, Canada and the European Union.

A stable and sustained increase in India's export requires next generation reforms in its domestic trade institutions which act as catalysts to the growth of exports. These reforms should adopt a holistic approach rather than a piecemeal progress. Let us focus on some of the key institutional reforms that are critical to revitalise domestic trade institutions and need to be considered in the upcoming foreign trade policy.

To promote and facilitate trade, India has set-up 37 trade promotion bodies, known as Export Promotion Councils, Commodity Boards, and Export Development Authorities and Federation of India's Exporters Organization. Majority of these bodies were set-up in the period 1960-80 and many of them have outlived their relevance with India's changing export basket.

On revamp mode

In a value-chain-driven globalised set-up, there is a need to develop deeper insights into trade related issues not from a perspective of industry but at a firm and product level, thus demanding the revamping of these trade promotion bodies.

The NITI Aayog is analysing the existing architecture of EPCs to explore the possible areas of reforms in their institutional and organisation structure. It is important that these reforms should be comprehensive, firstly the governance structure, how these are constituted (electoral process), formation of committees and sub-committees, and clearly defining the expectations from each of them in India's trade promotion efforts.

There is a need to bring transparency and accountability to the merit-based, rule-based and result oriented system. The role of trade promotion bodies (EPCs/Boards, etc) should not be limited to product-mandate but to ensure research-supported and competition-based advisory and facilitative role to strengthen India's external trade regime, business ecosystem, and export ecosystem.

This will ensure global competitiveness of Indian products in international markets. EPCs need to come-out of their business as usual scenario and must delve deep into India's product capabilities, capacities and competences, minimum at sub-heading level (ITC-HS Subheading) and explore the global business opportunities in the right segments with right targeting and positioning.

Further, trade promotion bodies should not act in a silo but as a consortium of creating business ecosystem for start-ups, new exporters through skills development, product and market identification, hand-holding and advisory services, buyer-seller meets, participation in market access initiatives including trade fairs, and tying-up with research and capacity building organisation to continuously strengthen India's business and export eco-system..

Secondly, India has 63 Partner Government Agencies (PGAs), facilitating Indian Customs for compliance of product standards, for instance Food Safety Standards Authority of India for food and eatables, and Plant Quarantine for ensuring Sanitary-Phyto-Sanitary Standards in compliance to domestic as well as international rules/treaties. A few of the PGAs are networked with EDI enabled platforms but a vast majority is yet offering services in physical mode to Indian Customs. As the size and scale of India's external engagements is growing, it is paramount to strengthen the governance structure, regulatory framework and public service delivery of these PGAs.

One way of doing so can be through a universal Application Programming Interface (API) platform which offers the harmonised set of programming instructions to all 63 PGAs under standardised web-based software applications to communicate with each other.

The API enabled PGA platform will reduce the time in communication between Indian Customs and PGAs and help them interact effectively thus transforming the exim compliance eco-system of India. This will bring efficiency and transparency in regulatory clearances both at the time of export or imports and also for registration and audit compliances.

States' role

Thirdly, in a federal set-up, there are a large number of business services and policy initiatives which are under the mandate of respective State government(s). With ever-increasing external engagements and to continuously strive to achieve a target of $1 trillion of exports, it is the high time to frame clear, definable and ambitious mandates for the State-level trade promotion bodies.

These bodies exist more on paper today, offering an industrial plot(s), and some other industrial promotion services. For India to emerge as a champion of exports, the State level bodies should be empowered, envisioned and enthused with business targets in the area of their product or services strengths.

Further, these bodies should be the nodal point of communication, coordination, and resolution of exporters' problems related to the constitutional mandate of the State List.

The State level trade institutions can play a vital role in not only resolving State level infrastructural problems (State and local roads, pollution, land, power stabilisation, water treatment, sewerage etc) but also the associated administrative challenges.

Moreover, the spirit of functioning should promote, facilitate and constantly develop external trade engagements of India, both in goods and services. Hopefully, the new foreign trade policy takes a cognisance of the aforementioned domestic institutional reforms.

Source: thehindubusinessline.com– May 17, 2022

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China's loss is India's gain in the textile sector, but it's not that easy

A few months ago, a large German brand, which has been sourcing T-shirts from China for many years, reached out to a supplier in Tirupur, Tamil Nadu's famous textile hub. Enquiries were made, due diligence done, and the company then promised a four-lakh piece T-shirt order for this fiscal to Warsaw International. Raja Shanmugham, managing director of Warsaw, says the brand indicated it wanted to shift a part of its business away from China but did not want to discuss the reasons for doing so. "In the last few months, many Tirupur-based suppliers have seen increased orders from international brands and we think this is at least partly due to their lessening dependence on China. But no customer has said so clearly," he says.

After a disappointing three years, India's textile exports have jumped to $44 billion (compared to $33 billion in 2020-21) in 2021-22, buoyed by some new orders and record high prices. The numbers have brought cheer, since textile exports had been declining at a compound annual growth rate (CAGR) of 9.6% between 2018-19 and 2020-21. India's total exports declined in the same period too, but by a narrower margin of 6% CAGR.

For example, polyester manufacturer IndoRama Synthetics clocked its highest ever turnover of ₹4,000 crore (about $515 million) in 2021-22. Chairman and managing director O.P. Lohia says factories are running full steam and he would be investing a significant amount in capex in the next 12-18 months in anticipation of another spike in demand. According to a CRISIL Ratings projection, export demand for readymade garment makers should grow by 12-15% this fiscal, despite a higher base.

Worldwide, overseas customers are continuing to diversify their supplier base in light of the economic crisis in Sri Lanka and the fresh covid wave in China. A larger geopolitical shift is also pushing global firms to look for alternatives to China.

China Plus One

Global textile trade has traditionally been dominated by China with its economies of scale and duty-free access to large markets like the European Union (EU) and the US.

The pandemic has dented this supremacy. Supply chain disruptions are a factor. More crucial could be the US decision in December 2021 to ban imports from Xinjiang province due to alleged human rights violations. To put this in context, the US market alone accounts for about 15% of global textile and apparel imports.

Other western markets too have come around to the 'China Plus One' strategy that aims to cut down on an exclusive dependence on Chinese supply chains and do business with more countries. This might trigger a seismic change in the global textiles trade order—away from China.

And so, the Chinese crisis is not something that India can afford to waste. The three markets (US, EU and UK) account for nearly half of our textile and apparel exports, after all.

This opportunity ties in well with the government's ambitions to generate jobs and incomes. The textile industry is one of the country's largest sources of employment, with an estimated 45 million people directly engaged in this sector, including a large chunk of the rural population and women (specially in activities like sericulture).

In a report tabled in the Budget session of Parliament this year, the standing committee on commerce said India needs to leverage 'China Plus One' to become an alternative investment destination for major global companies. "The committee therefore recommends that policy measures to benefit from the strategy should be devised ... to develop a business-friendly environment and best-in-class infrastructure for incoming investments. It further recommends that the government should endeavour to pursue Free or Preferential Trade Agreements (FTA) or an interim and mini trade agreement with countries that seek to invest in India under the 'China Plus One' strategy," it said.

The opportunity

Global textile trade (exports) is projected to be $940 billion by 2026, according to a CII-Kearney report titled, "Creating a competitive advantage for India in the global textile and apparel industry". The Indian government and the industry have set their sights on taking textile and apparel exports to $100 billion by 2030, up from just $44 billion in 2021-22. That means textile exports need to have a high cumulative annual growth rate in the next eight years. "If we hit $65 billion in textile exports by 2026, India's share in global textiles trade will jump to 6.6%. This will place the industry favourably on the path to achieving $100 billion in exports by 2030," says Karan Dhall, partner at Kearney, a global management consulting firm.

The truth, however, is that India continues to punch below its weight in the world textiles trade. From second position in 2015, India lost its share of trade, slipping to the fifth spot by 2019 with just 4.5% market share. In the same period, smaller economies Bangladesh and Vietnam surged past India. "We lost share partly due to covid's impact on the industry and also because of continued restricted access to key markets. US, UK and the EU together account for nearly half of all Indian textile and apparel exports but we face punitive duties in these markets due to absence of trade deals, while competitors Bangladesh and Vietnam are much better off due to zero or much lower duties," says Dhall.

Gautam Nair, owner of Matrix Clothing, a garment manufacturer with units in Gurugram and Ranchi, points out that China too has been losing share of the global apparel market. In 2012, it held more than a third or 38% share of the global apparel business but this reduced to 29% by 2019. Decisions to increase minimum wages (they nearly doubled in five years) and labour shortages that some say are a fallout of the one-child norm have played their part.

While Shanmugham, Lohia and many other Indian exporters have got larger orders recently, most Indian textile exporters have not been able to cash in on the opportunity.

"So far, loss of business for China has benefited Bangladesh and Vietnam, not India. Vietnam was nowhere in 2010 but in 2021-22, its apparel exports were far more than India's. Bangladesh exported apparel worth more than double what India did. We did just $16 billion worth of apparel exports last fiscal," Nair says.

The recent spike in cotton and yarn prices has only made matters worse. Shanmugham says apparel makers have been in "dire straits" for nearly 18 months as input prices have more than doubled, and they have been unable to pass the costs on to customers. Small companies are bearing the brunt of this price escalation and some of these units are on the verge of closure, he says.

Advantages and hurdles

Nevertheless, India has several things going for it. We have an integrated market with enough raw material supplies; the government has taken steps to help textile manufacturing such as setting up textile parks (Mega Integrated Textile Region and Apparel or MITRA) and launched a production-linked incentive (PLI) scheme worth ₹10,683 crore for man-made fibre garments, fabrics and technical textiles.

Negotiations for a trade agreement with the UK have re-started and the industry expects a pact by the end of this year or early next year. This will allow duty-free access to Indian textiles and put us on a par with other exporters like Bangladesh and Vietnam. An EU FTA would similarly benefit the industry as would agreements with moderate-sized markets such as Australia, Canada and Japan.

There are snags in the system, of course. The Amended Technical Upgradation Funds (ATUF) scheme, which provides a capital investment subsidy of 10-15% to textile manufacturers, is about to expire and the industry has little clarity on whether the scheme is getting an extension. As for credit support, banks continue to be hesitant to offer credit to small and medium textile units, which form a bulk of this industry.

Dhall of Kearney says Indian companies lack scale, with manufacturing fragmented for most parts of the value chain. Shanmugham of Tirupur says replacing Chinese suppliers is difficult precisely for this reason. “Tirupur has 2,000 exporting factories and the quantities we produce together are managed by just 50 factories in China. Just a handful of units here have 5,000 machines; Chinese manufacturers work with up to 20,000 machines each," he says.

One of the reasons for this is high capital expenditure and unattractive returns on investments. “The sector sees a suboptimal investment-to-return ratio of 8-11 %, that is below the typical cost of capital (12–15 %). Capex is costly as most machines are imported and they attract import duty of about 27 %," Dhall says. It is hardly any surprise that in garments, small- and medium-sized players account for 90% share of manufacturing; in fabrics, less than 5% production happens in large organized mills, and the remaining share is made up by handlooms, power looms and hosiery manufacturers.

Shanmugham says the MITRA scheme could help create large players. “One or two companies from Tirupur will benefit if a park comes up in Tamil Nadu. But it could take up to three years to set it up, since it needs 1,000 acres of land and many clearances," he says.

Besides lack of scale and restricted access to key markets, factor costs—labour, power—in India are higher vis-a-vis Bangladesh and Vietnam, making our exports more uncompetitive. Bangladesh enjoys up to 40% lower power costs and up to 20% lower labour costs, for example.

Nair says Indian exporters need immediate raw material security as cotton and yarn prices have flared up. In the short term, the government could calibrate exports of cotton and yarn—restrict these through quotas or an export duty levy—in addition to having removed the 11% effective import duty on cotton till September. “India urgently needs to increase capacity while investing in green factories which meet and exceed international standards in environmental sustainability, compliance and safety. Our time to grow in the international apparel supply chain is now," says Nair.

Betting big

Some Indian textile companies are already committing investments to expand in the near term. IndoRama is investing ₹600 crore in expanding capacity to six lakh tonnes by 2023-24, by when turnover should increase to ₹6,000 crore (₹4,000 crore in 2021-22). Lohia says demand for Indian products has increased in the last 18 months and his factories are now using 100% installed capacity.

Nair’s company has increased capacity by 40% and plans to further double it in two years with a turnover target of ₹1,200 crore (₹550 crore in 2021-22) by 2024-25 from the apparel business.

According to CRISIL Ratings’ analysis, there would only be a marginal increase in the working capital requirement for garment exporters because of an improved working capital cycle. So, while domestic as well as export demand will remain healthy in the current fiscal, readymade garment manufacturers are expected to have enough unutilized capacity to meet the expected surge; capital spends are not expected to be high.

It is hard to argue with the fact that opportunity is knocking on India's door in a new world order. But we can exploit it only when Indian textile manufacturers think big and get adequate policy support to set up manufacturing at scale.

Input prices need to be secured, manufacturing processes improved and delivery timelines streamlined so that a weakening Chinese grip can result in more order flow towards India, instead of Bangladesh or Vietnam. Else, the $100 billion export target by 2030 may remain just a pipe dream.

Source: livemint.com– May 17, 2022

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CII president Sanjiv Bajaj calls for incentive-based schemes for labour-intensive sectors

CII president Sanjiv Bajaj said on Tuesday that while the production linked incentive (PLI) scheme will give industry a booster shot, employment-intensive sectors like tourism and footwear also need incentive-linked programmes.

“In many sectors the capacity utilisation has hit 70% so there is room to expand. Once there is some stability and the risks, created by the war, come down, we should see capex picking up,” he said.

Bajaj called for a GST-like system that would ease the problems of entrepreneurs relating to land, energy and labour, and improve the ease of doing business. Moreover, he highlighted the need for a technology mission that would help small businesses get access to technology.

“There needs to be an enabling framework by which the government and academia can work together to help MSMEs access technology,” he said.

Moreover, it was important to ensure smooth flow of credit and capital to businesses. In this context, Bajaj stressed the need for more competition in the lending space and more privatisation by the government of lenders. He mooted the idea of allowing large non-banking financial companies (NBFCs) to offer full banking services.

CII expects the share of manufacturing in the country’s GDP to hit 25% by 2031 from 16-17% at present.

Bajaj said it was important to have consistency in the taxation policies in the medium term so that the corporate sector could plan its investments. The government, he observed, had taken a bold step to lower corporation taxes to spur investments.

“As a country, we have an opportunity to become a manufacturing hub and we need to create the ecosystem to use this opportunity,” he said, pointing out the record exports were an indication India did have the ability to sell in the global market.

It was also necessary, the CII chief said, to ensure there is skilling and re-skilling of the workforce. While automation could take away some jobs in manufacturing, job opportunities would also be created, as is happening in the services sector; industry has a way of adapting to situations.

CII has initiated a three-year skilling programme for 300,000 MSMEs. The CII head believes the government has room for some cuts in fuel levies as it had raised levies when crude oil prices were lower. This would bring some relief to the common man.

Source: financialexpress.com– May 18, 2022

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As cotton prices spiral, textile industry urges government to probe limited arrivals in market

'CCI should buy in bulk from farmers and release it to the mills'

The textile industry has urged the government to probe cotton arrivals in the market amid an unprecedented increase in raw material prices. They have also sought long-term policy measures.

On Monday and Tuesday, 29-30 mm cotton was quoted at ₹1,15,000–1,17,000 a candy for mill delivery, a ₹7,000–9,000 spike from last Friday's prices.

"The prices do not factor in moisture and trash conditions. Excessive moisture could result in an additional 1 per cent loss and a minimum of 3 per cent in excessive trash (i.e instead of the normal 3 per cent). Nowadays, trash is between 6 to 8 per cent. Put together, the cost works out to ₹1,19,600–1,21,680," said K Venkatachalam, Chief Advisor, Tamilnadu Spinning Mills' Association.

Speculative trade

Industry representatives said although a large quantity of cotton is yet to enter the market, vested interests were releasing the raw material in calibrated quantities.
"We have been monitoring cotton arrivals since the beginning of the season so the immediate solution would be to identify where the cotton is being stopped or hoarded. About 90 lakh bales of cotton is yet to come. This is highly alarming.

"Government departments and their regional offices should look into this issue. Cotton traders are holding on to the raw material and are not allowing mills to purchase it. Instead, it is being released in small quantities — about 20,000 bales everyday. Neither the farmers nor the end-users have the cotton, it is now managed by some cotton traders, including global players," said Venkatachalam

Commodity trading
The industry has urged the government to remove cotton from the list of commodities traded on the exchanges and make it available to farmers and mills, who are the only stakeholders.

"Trading of cotton should be dispensed with as a short- and long-term solution. We have been suggesting this for a long time. People not connected with the industry are indulging in speculative trade, which is harming the industry," he said.

In the ensuing season, the industry wants CCI (Cotton Corporation of India) to purchase in bulk from farmers at a price slightly above the MSP, and then supply it to mills whenever needed. It should be advised to not sell the cotton to traders and multinationals.

"CCI was set up to buy cotton from farmers, store it and supply it to the mills with holding charges. But it appears to be selling all the cotton to traders. Union Minister Piyush Goel also objected to CCI's purchase of cotton. In FY22, no cotton was purchased by CCI. This is also one of the reasons why the entire quantity of cotton is available with traders," he said.

Two-day strike

Meanwhile, a section of textile units in Tirupur, Erode and Salem districts has stopped production as part of a two-day strike against the prevailing high prices of cotton and cotton yarn.

"Buying cotton at this price and selling yarn at a matching price is not possible, as most spinning mills incur 10 to 15 per cent cash loss on the same; many mills are closing down their operations," said a representative.

A manifold increase in all costs has also resulted in an increase in yarn prices. Due to the increase in cotton prices, the working capital of all the mills is reported to have eroded, which has resulted in a severe financial crunch for mills in buying and stocking cotton, he added.

Textile manufacturers, who were part of the strike, said the increase in prices of cotton yarn was affecting their businesses and margins.

Yarn price rise

It was understood that a particular group of mills in Tamil Nadu had announced a ₹40 per kg upward revision in price of yarn of all counts, with effect from May 1, 2022.

But many mills in Tamil Nadu and other States have maintained the price as of April 1, 2022, or have only increased prices minimally. “The upward price revision of ₹40 per kg was not implemented by all the other mills universally, either in Tamil Nadu or in other States. Hence, this increase is not a universal price rise,” said another representative.

Meanwhile, Textiles Minister Piyush Goyal has called a meeting with all stakeholders on Tuesday evening.

Source: thehindubusinessline.com– May 17, 2022

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Govt mulls extending April GST payment deadline; Asks Infosys to fix portal glitch

As taxpayers face technical glitch on the GST portal, the government on Tuesday said it is considering extending the April tax payment deadline and has directed Infosys for early resolution of the problem.

The Central Board of Indirect Taxes and Customs (CBIC) said a technical glitch has been reported by Infosys in generation of April 2022 GSTR-2B and auto-population of GSTR-3B on portal.

“Infosys has been directed by Govt for early resolution. Technical team is working to provide GSTR-2B & correct auto-populated GSTR-3B at the earliest,” the CBIC tweeted.

GSTR-2B is an auto-drafted Input Tax credit (ITC) statement which is available to every GST registered entities based on the information furnished by their suppliers in their respective sales return form GSTR-1. GSTR-2B statement is usually made available to businesses on the 12th day of succeeding month, based on which they can claim ITC while paying taxes and filing GSTR-3B.

GSTR-3B is filed in staggered manner between 20th, 22nd and 24th of every month for different categories of tax payers.

“Considering the difficulties faced by taxpayers in filing their GSTR-3B for the month of April 2022, a proposal to extend the due date of filing GSTR-3B for April 2022 is under active consideration,” the CBIC tweeted.

On Sunday, GST Network, which provides the technology backbone for Goods and Services Tax, had issued an advisory saying that in a few cases, certain records are not reflected in the GSTR-2B statement for the period of April 2022 and asked taxpayers to file GSTR-3B return on self-assessment basis.

“The technical team is working to resolve this issue for the impacted taxpayers and generate fresh GSTR-2B at the earliest. In the interim, affected taxpayers interested in filing GSTR-3B are requested to file the return on self-assessment basis using GSTR-2A,” the GSTN had said.

GSTR-2A is a system generated statement of inward supplies.

In 2015, Infosys was awarded a Rs 1,380 crore contract to build and maintain the GST system.

AMRG & Associates Senior Partner Rajat Mohan said “technical glitches on the portal would derail the tax filings for millions of taxpayers in the current month. For the benefit of all the businesses, the government must either extend the timelines for tax filings or waive the late fees payable on delayed filings”.

Source: financialexpress.com– May 17, 2022

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Cotton prices top record ₹1 lakh/candy toeing global trend

Lack of quality produce pushing up rates despite higher pressing of raw cotton

Cotton prices in the Indian domestic market topped a record ₹1 lakh a candy (356 kg) as global prices for the natural fibre topped 150 US cents a pound (₹92,000 approximately).

"Cotton prices firmed up during the weekend itself. Best quality cotton is quoted at ₹1.10 lakh a candy, medium quality at ₹1 lakh and cotton of lower quality is offered at ₹90,000-95,000," said Rajkot-based Anand Poppat, a trader in raw cotton, cotton yarn and waste.

Rising demand

According to the Gujarat Cotton trading Association (Gujcot), Shankar-6 cotton, the benchmark for exports, was quoted at an average ₹1.025 lakh a candy on Tuesday.

In the global market, benchmark cotton futures dropped a tad on Tuesday to 148.65 cents a pound (₹91,300 a candy) from 150 cents on Monday. Rising demand globally amidst lower supplies is attributed to the rise in prices.

Across the agricultural marketing committee yards from Andhra Pradesh to Gujarat, raw cotton (kapas) quoted between ₹9,000 and ₹13,500 a quintal against the minimum support price of ₹5,726 a quintal.

According to Gujcot, the pressing of raw cotton into lint increased in April this year to 69.95 lakh bales from 64.27 lakh bales in March, but it was lower than the 85.99 lakh bales pressed in April last year by 18.65 per cent.
Agmarket data

Data from Agmarknet showed that between April 1 and May 17, cotton arrivals nearly trebled to 8.45 lakh bales across the country compared with 3.07 lakh bales during the same period a year ago.

Poppat said the data did not reflect the actual situation as farmers were also directly offloading their produce with ginning mills and hence, it could be lower.

Indian cotton prices are ruling at a premium to global prices in view of production being lower than last year, rising demand and non-availability of quality cotton.

The current surge in global price is also attributed to the USDA lowering global production by 1.8 million US bales (227 kg).

Impact of unseasonal rains

"The quality of cotton was affected by unseasonal rains during November-December, which affected the whiteness of the fibre. So, the more white colour you want, the more you need to pay," said a South India miller based source.

"There are over 1,225 mills which need 360 lakh bales of cotton annually. Our production is short by 30-35 lakh bales. This is the main cause for the rise in prices," said Maj Gen O P Gulia, Chief Executive Officer, SVP Group. The group runs a modern spinning mill in Jhalwar, Rajasthan, besides a few more in Tamil Nadu.

According to the Committee on Cotton Production and Consumption (CCPC), a body comprising all stakeholders in the cotton sector, cotton production this season to September is estimated to be 340.62 lakh bales as against 352.48 lakh bales last season. The Cotton Association of India (CAI), an association of traders, projected cotton output at 323.63 lakh bales during the weekend.

'On-call sales'

Even as the Centre was holding a meeting of the textile industry over the cotton prices situation, industry and trade sources say there is little the Government can do to control the prices since it was a global phenomenon driven by speculators.

The main reason for global prices to rule at a near 11-year high is "on-call sales" which is in the range of 80 lakh bales (170 kg). The USDA, which terms these sales as "unfixed" as prices are fixed only later, said large quantities of the sales for the July contract and low certified stocks have driven up cotton prices.

"The contracts have to be settled in the third week of June. After that, cotton prices will head lower," said Poppat.

Gulia said duty-free imports were allowed at least two months late and any relief for the textile industry would be around June-July since arrivals of imports are expected only then.

Though a section of the textile industry is blaming cotton exports for the record rise in prices, shipments of the natural fibre are expected to estimated to drop to 40 lakh bales from 77.59 lakh bales.

Also, Indian cotton has been outpriced in the global market in view of the premium it commands.

On the other hand, India is expected to import 18 lakh bales of cotton this season against 11 lakh bales last season, according to the CCPC.

Source: thehindubusinessline.com– May 17, 2022

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EximPe: Making cross-border trade seamless

As a small-time exporter, Mahavir Jain had to make umpteen visits to his bank every time he had to send a shipment abroad. There were forms to be filled up, fees to be paid, LoC to be issued, foreign exchange rates to be negotiated and finalised, et al. It seemed as if he was spending more time and energy completing the paperwork than closing the export deal. It was then that he got to know about EximPe. "Earlier, my entire trade business was manual and paper-based. Thanks to EximPe, I conduct all of my cross-border transactions while sitting in the comfort of my office and save 8-10 hours/month," says Jain from the Laxman Group.

EximPe, started in 2021, is a platform that helps SMEs make cross-border payments and adhere to compliance norms by providing a fully paperless digital process for inbound and outbound remittances. The digitised workflows it offers using technology enables Indian companies to compete in the global market. Over 1,000 SMEs have already signed up with EximPe, and many more are on the waiting list.

"EximPe was inspired by my experience of building a $10-million cross-border business on the India-Southeast Asia-China trade corridor and the inefficiencies I faced during the process," says Arjun Abraham Zacharia, its founder.Prior to founding EximPe, the serial entrepreneur had built India's first social commerce platform, Wooplr, and scaled it to $50 million GMV with operations spread across India, China and Southeast Asia.

He points out that for decades, exporters and importers have had to pay high fees to banks, which charge an average fee of 2-3%, and sometimes as much as 10%. "Normally, if a trader does a transaction of $5,000, the bank charges a commission of at least $100. However, if the trader negotiates then the fee can be reduced by the bank. This indicates that there is no actual regulation or policy in place regarding how much commission or fee a bank should be charging traders per transaction," he says.

Given that SMEs have small but frequent orders, this not only makes them spend a lot of money on multiple transactions but also renders the whole ecosystem non-transparent in nature. "SMEs, especially the ones just starting out, are not aware of the compliances necessary for cross-border payments, like BOE (Bill of Exchange) regularisation for imports and exports, which, if not done for every payment, can even lead to the trader getting blacklisted. Also, this compliance process is manual- and paper-heavy, adding to the pains of running a business," points out Zacharia.

Agrees MM Huzeifa, owner of Huzeifa Imports: "I am a small merchant that imports machinery; I save over Rs 15,000 per month thanks to the best rates I find on EximPe."

EximPe's primary focus for now is on expanding its customer base. The value of the transactions on the platform varies from $5,000 to $50,000. "We are fine-tuning the process before deploying it for a bigger customer base. The company has already crossed the $20-million TPV (Total Payment Volume) run rate and is poised to cross the $100-million TPV run rate by the end of 2022," says Zacharia. "While we're putting a lot of emphasis on unit economics, it's still too early to talk about breaking even. The company's current priority is to increase its customer base and TPV. We will generate money in the future via transaction fees and financial offerings."

The startup has so far raised $3.5 million in a seed funding round anchored by Leo Capital, which also saw participation from other VC firms like RB Investments, Founder Bank Capital, iSeed Ventures, 2am VC, LetsVenture and BoldCap. Angel investors like Kunal Shah, founder, Cred; Rajesh Raju, managing director, Kalaari Capital; Alex Wehr, partner, Firestartr.vc; and Aprameya Radhakrishnan, co-founder and CEO, Koo have also invested in the cross-border payments startup.

Source: financialexpress.com– May 18, 2022

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Over ₹50,000-crore fake input tax credit detected in 18 months

More than 20,000 fake GSTNs, too, identified; CBIC chairman says ₹2,400 crore recovered through special drive

The Centre, with support from States, has managed to detect fake Input Tax Credit (ITC) amounting to over ₹50,000 crore in a period of 18 months. However, the recovery has been much less and experts have called for more such initiatives to check fake invoices.

Vivek Johri, Chairman of the Central Board of Indirect Taxes & Custom (CBIC), said the special drive, which commenced in November 2020 along with States, has so far resulted in the booking of more than 6,700 cases and arrests of over 650 persons. More than 20,000 fake GSTNs have been unearthed and over ₹50,000 crore fake ITC detected.

"We have recovered over ₹2,400 crore through this drive and attempts are on to improve recovery," he said while talking to people from industries. As per Section 132 of the CGST Act, 2017, issuance of an invoice or bill without supply of goods or services and wrongful availing or utilisation of ITC is a cognisable and non-bailable offence, if the amount is over ₹5 crore.

'More initiatives needed'

Though experts acknowledge the success achieved so far, through the special drive, they suggest further initiatives. MS Mani, Partner with Deloitte India, said several businesses that take input tax credits based on their vendors' invoices have already put in place stringent tax processes to weed out suspicious vendors. This will need to become a way of life for all businesses in order to end the menace of fake invoices. "In addition, there would be increased scrutiny on invoices issued to related parties," he said.

Prateek Bansal, Associate Partner (Tax and Custom) with White and Brief, a law firm, called for a multi-pronged strategy. There is a mechanism of physical scrutiny/verification of all premises and business activities of a company/firm by GST authorities before granting registration. Now, the system may be devised where the concerned jurisdictional officer should also be held accountable, in the event the said registered entity is found to be non-existing or engaged in fake invoicing without actual supply/receipt of goods/services, he said.

"Quarterly verification and mapping of various GST related documents/procedures (returns, invoices, e-Way bills, exports, etc.) in the capacity of system-generated short-listed taxpayers should be undertaken by jurisdictional GST authorities to ensure there is no leakage of revenue," he suggested.

Tanushree Roy, Director — Indirect Tax, Nangia Andersen LLP, said it is equally important to identify users of fake invoices, and this can be done by examining unusual ITC utilisation (say, above 95 per cent). In addition, sectors historically prone to tax evasion should also be investigated.

Additionally, it may also be required to keep a database of offenses committed by entities involved in fake invoicing. "Blocking ITC of entities issuing fake invoices, as well as their users would also help deter the issuance of fake invoices. In case any entity has availed ITC basis fake invoices, adequate recovery proceedings should be put in place for recovery," she said.

Source: thehindubusinessline.com– May 16, 2022

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Amazon creates 11.6 lakh direct & indirect jobs in MSMEs in India

Amazon India has shared updates on its key pledges for India and has cumulatively created more than 11.6 lakh (1.16 million) direct and indirect jobs, enabled nearly $5 billion in cumulative exports and digitised over 40 lakh (4 million) MSMEs in India till date. The Amazon India marketplace is operated by Amazon Seller Services, an affiliate of Amazon.

In Jan 2020, at the first edition of its annual event Amazon Smbhav, the company had pledged to digitise 1 crore (10 million) MSMEs, enable $10 billion in cumulative exports and create 20 lakh (2 million) jobs in India by 2025. Amazon is well on track to fulfil these pledges, while in fact doubling its export pledge from India, to now enable $20 billion in cumulative exports from India by 2025, the company said in a press release.

Last year at Amazon Smbhav 2021, Amazon announced the $250 MM Amazon Smbhav Venture Fund to invest in start-ups and entrepreneurs who are focused on technology innovations. The fund is focused on supporting entrepreneurs and start-ups that are doing innovative work in the area of SMB digitisation. As part of the fund, Amazon has already invested in 'MyGlamm', 'M1xchange' and 'Small Case'. Amazon remains committed to leveraging its people and tech resources to invest into focus areas for the Fund, including multiple new and emerging areas that are seeing a high degree of innovation and entrepreneurial energy.

Amazon's efforts towards digitisation of MSMEs, and boosting exports from the country are helping create tens of thousands of livelihood opportunities in the ecosystem. In the last one year, Amazon helped create over 135K direct and indirect jobs across industries. These jobs are across industries like IT, e-commerce, logistics, manufacturing, content creation, skill development and more as well as other indirect jobs that Amazon has helped create in the seller community.

Amazon is focused on creating a robust infrastructure to help Indian businesses address customers in 200+ countries and territories, create global brands from India and grow exports strongly through its Global Selling program.

The program is witnessing rapid momentum and today there are more than one lakh (100K) exporters on the program who are on track to cross $5 billion in cumulative exports. Amazon Global Selling took three years to enable the first billion dollars in cumulative exports and only 17 months to enable the last two billion dollars, according to Amazon.

Amazon has digitised over 4 million MSMEs including sellers, artisans and weavers, delivery and logistics service partners etc. The company's digitisation efforts are empowering small businesses including local retail stores, artisans and grassroot entrepreneurs to reach their customers and broaden their reach even further. In July 2021, Amazon opened its first Digital Kendra in Surat to bring the benefits of digitisation closer to small businesses. The Kendra has already served over 4000 small businesses from Surat and nearby areas in their digitisation journey.

"We have cumulatively created over 11.6 lakh jobs, enabled nearly $5 billion in exports and digitised over 40 lakh MSMEs in India. As we continue to work with MSMEs across the country, we remain committed to bringing new tools, technology and innovation that will unleash the entrepreneurial spirit of Indian businesses, boost exports from the country and help create jobs at scale.

We strongly believe that technology and mobile internet will continue to positively impact India's economic growth, and we see Amazon playing a larger role in the country's digital transformation and a modern, thriving digital economy," Manish Tiwary, country manager, India consumer business, Amazon India, said in a statement.

Source: fibre2fashion.com– May 17, 2022

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Huge scope for Bangla textile exporters to invest in UP: CM Adityanath

Uttar Pradesh (UP) chief minister (CM) Yogi Adityanath recently told high commissioner of Bangladesh to India Muhammad Imran that there are several opportunities for exporters and investors from Bangladesh in the state in fabric production, weaving, spinning and defence manufacturing. The latter met the former at his official residence in state capital Lucknow.

The envoy discussed ways to further strengthen ties between the two countries, and especially with Uttar Pradesh, a news agency reported.

Bangladesh is India's largest trading partner in South Asia and India is Bangladesh's second-largest trading partner.

Source: fibre2fashion.com– May 16, 2022

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