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INTERNATIONAL NEWS

Global shipments of new textile machinery increased in 2021: ITMF

In 2021, global shipments of spinning, texturing, weaving, knitting, and finishing machines increased sharply compared to 2020. The deliveries of new short-staple spindles, open-end rotors, and long-staple spindles rose by +110 per cent, +65 per cent and +44 per cent respectively, according to the International Textile Manufacturers Federation (ITMF).

The number of shipped draw-texturing spindles surged by +177 per cent and deliveries of shuttle-less looms grew by +32 per cent. Shipments of large circular machines improved by +30 per cent and shipped flat knitting machines registered a 109 per cent growth. The sum of all deliveries in the finishing segment also rose by +52 per cent on an average.

These are the main results of the 44th annual International Textile Machinery Shipment Statistics (ITMSS) just released by the International Textile Manufacturers Federation (ITMF). The report covers six segments of textile machinery, namely spinning, draw-texturing, weaving, large circular knitting, flat knitting, and finishing. The 2021 survey has been compiled in cooperation with more than 200 textile machinery manufacturers representing a comprehensive measure of world production.

The total number of shipped short-staple spindles increased by about 4 million units in 2021 to a level of 7.61 million. Most of the new short-staple spindles (90 per cent) were shipped to Asia and Oceania, where delivery increased by +115 per cent. While levels stayed relatively small, Europe saw shipments increasing by +41 per cent (mainly in Turkey). The six largest investors in the short-staple segment were China, India, Pakistan, Turkey, Uzbekistan, and Bangladesh, ITMF said in a press release.

About 695 thousand open-end rotors were shipped worldwide in 2021. This represents 273 thousand additional units compared to 2020. 83 per cent of global shipments went to Asia and Oceania where deliveries increased by +65 per cent to 580 thousand rotors.

China, Turkey, and Pakistan were the world's 3 largest investors in open-end rotors and saw investments surging by +56 per cent, +47 per cent and +146 per cent, respectively. Only deliveries to Uzbekistan, the 7th largest investor in 2021, decreased compared to 2020 (-14 per cent to 12'600 units).

Global shipments of long-staple (wool) spindles increased from about 22 thousand in 2020 to nearly 31,600 in 2021 (+44 per cent). This effect was mainly driven by a rise in deliveries to Asia & Oceania with an increase in investment of +70 per cent. 68 per cent of total deliveries were shipped to Iran, , Italy, and Turkey.

Global shipments of single heater draw-texturing spindles (mainly used for polyamide filaments) increased by +365 per cent from nearly 16,000 units in 2020 to 75,000 in 2021. With a share of 94 per cent, Asia and Oceania was the strongest destination for single heater draw-texturing spindles. China, Chinese Taipei, and Turkey were the main investors in this segment with a share of 90 per cent, 2.3 per cent, and 1,5 per cent of global deliveries, respectively.

In the category of double heater draw-texturing spindles (mainly used for polyester filaments) global shipments increased by +167 per cent to a level of 870 thousand spindles. Asia's share of worldwide shipments increased to 95 per cent. Thereby, China remained the largest investor accounting for 92 per cent of global shipments.

In 2021, worldwide shipments of shuttle-less looms increased by +32 per cent to 148 thousand units. Shipments in the categories "air-jet", "rapier and projectile", and "water-jet" rose by +56 per cent to nearly 45,776 units, by +24 per cent to 26,897, and by +23 per cent to 75,797 units, respectively.

The main destination for shuttleless looms in 2021 was Asia and Oceania with 95 per cent of all worldwide deliveries. 94 per cent, 84 per cent, 98 per cent of global air-jet, rapier/projectile, and water-jet looms were shipped to that region.

The main investor was China in all three sub-categories. Deliveries of weaving machines to this country cover 73 per cent of total deliveries.

Global shipments of large circular knitting machines grew by +29 per cent to 39,129 units in 2021. The region Asia & Oceania was the world's leading investor in this category with 83 per cent of worldwide shipments. With 64 per cent of all deliveries (i.e., 21,833 units), China was the favoured destination. Turkey and India ranked second and third with 3,500 and 3,171 units, respectively.

In 2021, the segment of electronic flat knitting machines increased by +109 per cent to around 95 thousand machines. Asia & Oceania was the main destination for these machines with a share of 91 per cent of world shipments. China remained the world's largest investor with a 76 per cent share of total shipments and a +290 per cent increase in investments. Shipments to the country rose from about 17 thousand units in 2020 to 67.6 thousand units in 2021.

In the "fabrics continuous" segment, shipments of relax dryers / tumblers grew by +183 per cent. All other subsegments rose by 33-88 per cent except dyeing lines which shrank (-16 per cent for CPB and -85 per cent for hotflue).

Since 2019, ITMF estimates the number of shipped stenters non-reported by the survey participants to inform on the global market size for that category. The global shipments of stenters is expected to have increased by +78 per cent in 2021 to a total of 2,750 units.

In the "fabrics discontinuous" segment, the number of jigger dyeing / beam dyeing shipped rose by +105 per cent to 1,081units. Deliveries in the categories "air jet dyeing" and "overflow dyeing" increased by +24 per cent in 2021 to 1,232 units and 1,647 units, respectively.

Source: fibre2fashion.com– Jul 06, 2022

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Several big economies to hit recession in 2023: Nomura Holdings

Several big economies, including the eurozone, the United Kingdom, Japan, South Korea, Australia, the United States and Canada, will witness recession over the next 12 months due to tightening government policies and rising living costs, according to Japan-based Nomura Holdings, which recently said this will push the global economy into a synchronised growth slowdown.

The depth of recession will vary. Nomura expects the United States to see a shallow but long recession of five quarters starting from the final quarter of this year. In Europe, the slump could be much deeper if Russia entirely cuts off gas to Europe.

The brokerage foresees both the United States and the euro area economies contracting by 1 per cent in 2023.

For mid-sized economies, including Australia, Canada and South Korea, there's a risk of deeper-than-forecast recessions if interest rate hikes trigger housing busts, Rob Subbaraman and Si Ying Toh at Nomura said in a research note.

South Korea may take the sharpest early hit with a 2.2 per cent contraction in the third quarter of this year. Japan is projected to have the mildest recession due to ongoing policy support and its delayed economic reopening, global newswires reported.

China too remains at risk of renewed lockdowns as long as Beijing sticks to its zero-COVID strategy, the researchers wrote.

Source: fibre2fashion.com– Jul 06, 2022

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Australian cotton industry unveils sustainability 'Data Pack'

The Australian cotton industry has underlined its commitment to transparency and accountability by unveiling for the first time an innovative sustainability ‘Data Pack’ to support its latest cotton sustainability report. According to the Cotton Australia chief executive officer Adam Kay, transparency and good data are critical to the industry.

The recently released Australian Cotton Sustainability Update (2021) shows a 3.6 per cent annual improvement in Australian cotton water use efficiency and a 6 per cent reduction in greenhouse gas emissions per bale, but also an increase in herbicide use as a result of a wetter season increasing the need for weed control, Cotton Australia said in a press release.

“After three decades of concerted and collaborative effort to improve sustainability, our industry has a very good story to tell of our improvements in many areas, and our efforts to make even more improvements in the months and years ahead.

Good, trusted data helps inform our stakeholders, and will increasingly support market access as customer and government requests grow world-wide for sustainability improvements.

Building an evidence bank of sustainability impacts also helps growers make management decisions to balance productivity improvements with environmental and social outcomes,” said Kay.

“This new Data Pack is one more tool the industry has developed to allow all stakeholders to make better decisions and is further evidence of our desire to be accountable and transparent to stakeholders,” added Kay.

Cotton Research and Development Corporation executive director Dr Ian Taylor said regularly tracking sustainability progress and impacts across the Planet. People. Paddock. Sustainability Framework helps industry decide where to make research, development, and extension investments to appropriately manage opportunities and risks.

"Key areas of research we are investing in include further reducing net greenhouse gas emissions, and innovation to manage soil health and native vegetation on cotton farms. The current high rainfall seasons means there will almost certainly be an increase in the use of herbicides to control weeds.

To minimise this, we continue our investments in Integrated Weed Management strategies - such as innovative optical sprayers and alternatives to residual herbicides – to provide environmentally-sound alternative solutions to growers. We are also continuing our focus on workplace health and safety, ensuring the industry has the skilled and inclusive workforce needed to be successful over the next decade of change," said Taylor.

"And we continue to drive water use efficiency. The industry's long-term optimisation of water use is something growers should be proud of and is consistent with the UN Sustainable Development Goal of dramatically increasing water use efficiency while ensuring sustainable withdrawals of freshwater," added Taylor.

Source: fibre2fashion.com– Jul 06, 2022

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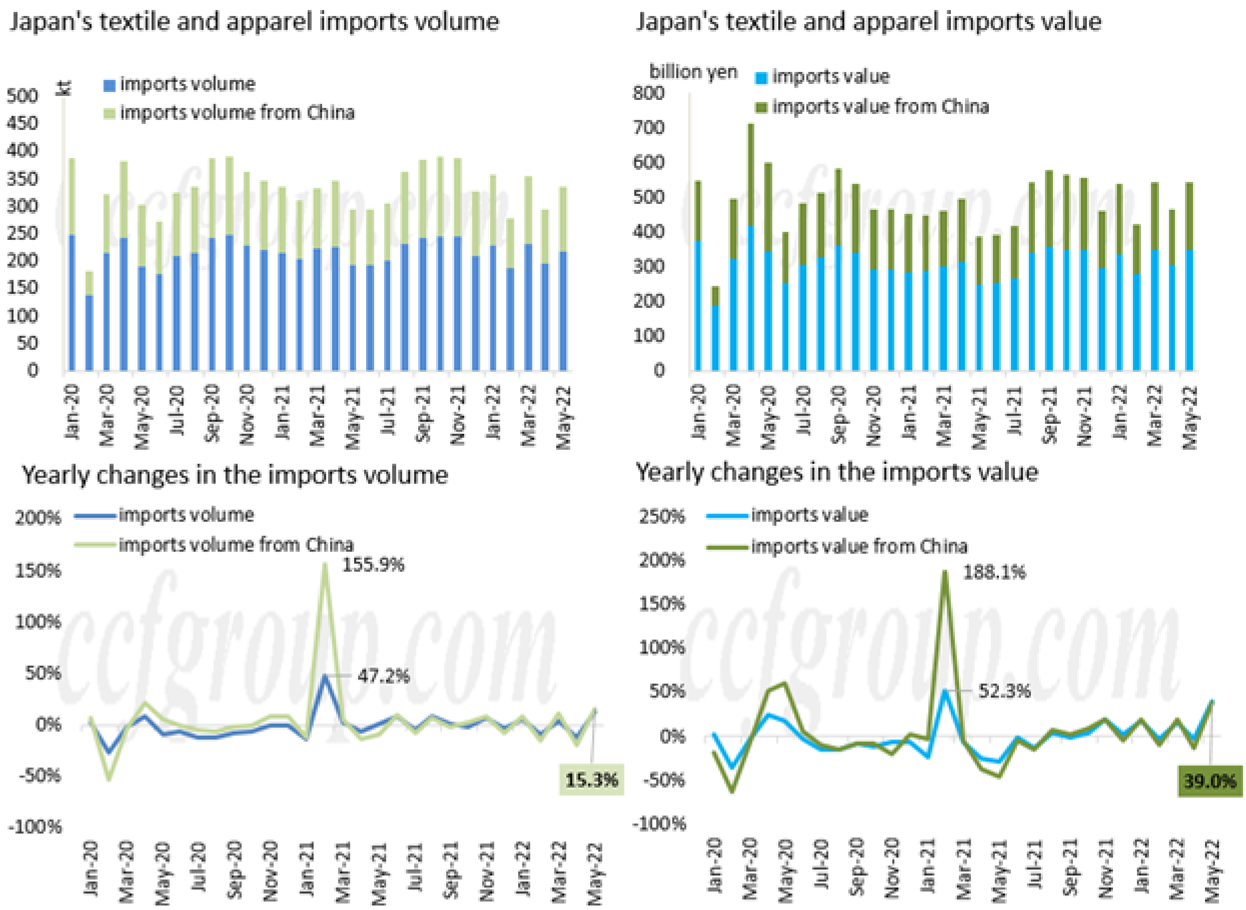
Japan's textile and apparel imports growth in May' 22 hit a new high

Japan’s textile and apparel imports in May totaled 217kt, up 13% year-on-year and 10.4% month-on-month, of which imports from China moved up 15.3% from the same period last year and 21% compared to last month.

Japan’s textile and apparel imports in Jan-May totaled 1,061kt, down 0.1% from the same period last year and 2.7% compared with the same period in 2019.



Both in terms of import volume and value, Japan's textile and apparel import demand recovered in May, showing a large rise, and Japan's textile and apparel imports value from China was only slightly lower than that of the total imports.

In recent years, the proportion of import volume and value of Japan's textile and apparel imported from China in total imports had a certain seasonal rule, accounting for the largest share in September or October every year, then gradually falling back to a relatively low level in April or May of the next year, and then fluctuating. Japan's textile and apparel imports growth hit a new-2022 high because of the low base in the same period of 2020.

Source: ccfgroup.com– Jul 07, 2022

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Sri Lanka's fabric imports drop in May, impact of economic crisis

Fabric imports by Sri Lanka declined in May 2022, compared to January i.e., before the onset of the current economic crisis gripping the country. The island nation needs to import fabric to keep its garment manufacturing and export running. Garment exports bring the much-needed foreign currency for the country, especially during the current crisis period.

Sri Lanka's fabric import dropped from $233.85 million in January 2022 to $183.21 million in May 2022, according to Fibre2Fashion's market insight tool TexPro.

China, India, and Taiwan were the top three fabric suppliers for the country during the first five months of this year. China's export volume to Sri Lanka dropped from $95.04 million in January 2022 to $67.15 million in May.

Likewise, India's export volume decreased from $58.10 million in January to $46.57 million in May 2022, and Taiwan's from $26.20 million to $14.85 million, as per TexPro.

Source: fibre2fashion.com– Jul 07, 2022

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Supply disruptions to stay with high commodity prices in ASEAN+3: AMRO

Though the ASEAN+3 region may have finally gained some ground in the long battle against COVID-19, the war in Ukraine is expected to be protracted and sanctions will remain for some time, according to regional macroeconomic surveillance organisation AMRO, which recently said supply disruptions are expected to continue and commodity prices will remain high.

Global financial conditions have tightened, reflecting a faster pace of monetary policy tightening by the US Federal Reserve. As a result, fear of a recession in the United States has heightened and risk aversion has spiked, AMRO said in its quarterly update of the ASEAN+3 Regional Economic Outlook (AREO) released this month.

The region's baseline growth forecast (4.3 per cent) has been revised downwards and the inflation forecast (5.2 per cent) has been revised upwards for 2022. In 2023, growth is expected to strengthen to about 5 per cent, with inflation moderating to about 3 per cent.

Gross domestic product (GDP) data released for Q1 2022 point to uneven growth momentum across the region.

Global supply chain disruptions continue to have an impact on trade and economic activities. Airspace and shipping lane closures resulting from the war in Ukraine have exacerbated pandemic-era supply-chain disruptions, the update said.

The recent lockdowns in China have compounded the pressure by constricting port activity and limiting the production of intermediate goods. According to the latest trade data, the region's exports have slowed in both value and volume terms.

The slowdown in China and key trading partners has weighed on growth in Japan and South Korea.

The 2022 growth forecast for ASEAN, on the other hand, remains unchanged from April's projections. ASEAN is poised to expand strongly by 5.1 per cent after last year's setback due to the outbreak of the Delta

COVID variant. In 2023, growth for the whole ASEAN+3 region is expected to strengthen to 4.9 per cent.

As the likelihood of a quick resolution to the war in Ukraine has all but evaporated in the last three months, this will amplify existing risks to the region's outlook as commodity prices stay elevated and supply chains continue to experience disruptions, the update added.

Source: fibre2fashion.com– Jul 06, 2022

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Turkiye to boost transport cooperation with Serbia, Hungary, Bulgaria

Turkiye recently set up a Quadrilateral Ministerial Coordination Council with Serbia, Hungary and Bulgaria to boost transport and logistics cooperation in the region. At the council's first meeting held in Istanbul, representatives from the four sides signed deals on implementing projects for improving rail connectivity among the countries.

"We are taking a new step every day in the development of the Middle Corridor, which has become a centre of attraction," Turkish minister of transport and infrastructure Adil Karaismailoglu said in a press release. The Middle Corridor is a trans-Caspian transport route that links Turkey and Europe with China.

This cooperation would significantly contribute to the improvement of this trade corridor, the Turkish minister was quoted as saying by a news wire.

The council declared that it aims to have a railroad transportation volume of over 440 million tonnes through the Middle Corridor within 30 years compared to today's 38 million tonnes.

Source: fibre2fashion.com– Jul 06, 2022

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Vietnam-South Korea to push bilateral trade to $150 bn by 2030

Aiming to give a big push to their bilateral trade, South Korean Prime Minister Han Duck-soo and his Vietnamese counterpart Pham Minh Chinh have agreed to achieve trade of $100 billion next year and increase it to $150 billion by 2030, up from $78 billion last year. South Korea is an important economic partner for Vietnam and the largest source of FDI.

During their telephonic call this week, Han and Chinh also agreed to seek ways to narrow the gap in bilateral trade, according to media reports. Vietnam incurred a trade deficit of $34 billion with South Korea last year.

Vietnam exports textile products like apparel and home textile to South Korea, while it imports fabrics and other textile products in limited volume from its Asian trade partner. Last year, the bilateral trade of apparel and home textiles was over $4 billion.

Vietnam had exported apparel worth $3.294 billion in 2021 and $3.065 billion in 2020 to South Korea. During January-May 2022, Vietnam's apparel exports to South Korea stood at $1.361 billion, according to Fibre2Fashion's market insight tool TexPro. Vietnam's home textiles exports to South Korea were valued at $395.606 million in 2021 and $347.747 million in 2020. The figure was $169.606 million in the first five months of this year.

Vietnam's apparel imports from South Korea were worth $388.507 million in 2021 and $334.721 million in 2020. Imports stood at $156.932 million in the first five months of 2022, as per TexPro. The country's home textiles imports from South Korea were $21.993 million in 2021 and $18.804 million in 2020. The figure was $8.199 million in January-May 2022.

Source: fibre2fashion.com– Jul 07, 2022

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HSBC ups Vietnam's 2022 growth forecast to 6.9%, lowers 2023's to 6.3%

The forecast for Vietnam's economic growth this year has been raised by HSBC to 6.9 per cent from the earlier projection of 6.6 per cent. However, HSBC revised down the 2023 forecast to 6.3 per cent from 6.7 per cent due to growing risks, especially in the energy sector. Decreasing risks posed by Omicron and eased restrictions have paved the way to normal.

The country's gross domestic product (GDP) growth rate was 7.7 per cent in the second quarter this year compared to the same period last year.

HSBC Global Research, in its 'Vietnam at a Glance' report released this month, pointed out growing impacts of soaring energy prices. Escalating goods prices led to trade deficit in the second quarter this year and may worsen the current account situation, which has not been optimistic.

Though household consumption has steadily recovered, people's budgets may suffer from high oil prices, thus decelerating the recent recovery speed, a news agency reported citing the HSBC document.

Vietnam's inflation is forecast to stand at about 3.5 per cent this year, but it may surpass the ceiling of 4 per cent between fourth quarter of this year and the second of 2023, requiring the State Bank of Vietnam to start normalising the monetary policy.

Vietnam has benefited from reopening of the economy, and domestic demand has returned while external drivers remain favourable, the report added.

Source: fibre2fashion.com– Jul 07, 2022

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Pakistan: 'Textiles verging on closure amid $1bn export losses'

Country's textiles on Wednesday demanded immediate resumption of gas supply to save around 300 hundred units from closure as industry export losses have hit a whopping $1 billion because of the energy crisis.

"The supply of energy at a regionally competitive tariff led to a 26 percent increase in textile exports during FY2022," said Abdul Rahim Nasir, Chairman All Pakistan Textile Mills Association (Aptma), addressing a presser. Nasir was flanked by Aptma North Zone Chairman Hamid Zaman, Senior Vice Chairman Kamran Arshad and Secretary General Raza Baqir.

The Aptma chairman said the textile exports jumped by 60 percent from $12.5 billion in 2020 to almost $20 billion in 2022 primarily because of the same.

"The exponential growth in the textile sector has drawn an investment of over $5 billion and the gave rise to 100 new textile units that after commissioning will result in new exports over $500 million/month or $6 billion/annum," he said.

The gas supply to industry has been suspended since June 30, 2022, which has almost halted production in the entire value-added textile industry, causing a colossal loss to the economy.

The large-scale closure of mills has caused massive layoffs, spreading economic chaos, Nasir said, adding, starving the country's largest exporting sector of gas and power was hard to understand.

Hamid Zaman, Chairman Aptma North Zone, said the textile sector had repeatedly delivered on its commitment to enhance exports and proved they were a viable and long-term solution provider for the economic stability of the country.

"Over 50 percent of the production will be lost this month with the very high risk of losing orders on a permanent basis and diversion of buyers from Pakistan to its competitors," Zaman said.

He said currently the textile industry was providing goods for the forthcoming Christmas and any delay in the deliveries was fraught with risks of losing export markets for an indefinite period with little chances for revival.

“If this momentum is lost due to the energy supply and cost constraints, Pakistan will be forced to seek an additional $6 billion in loans from abroad, which under the current circumstances, might not even be possible,” he added.

Therefore, he said, under this situation, the gas supply to the export-oriented industry must immediately be resumed.

Source: thenews.com.pk- Jul 05, 2022

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Bangladesh exporters seek fast delivery of imported raw materials

Eyeing business bonanza in the global apparel market, Bangladesh exporters have sought faster delivery of imported raw materials by coordinating between customs and port authorities. Exporters have also demanded a 'self-clearance license' by the revenue board to expedite trade transactions to catch up with market demand.

The demands were placed by Farque Hassan, President, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) during its meeting with Abu Hena Md Rahmatul Muneem, Chairman, National Board of Revenue. Shahidullah Azim, Vice-President, BGMEA, Asif Ashraf, Director, and Shams Mahmud, Chairman, BGMEA Standing Committee on Foreign Mission Cell were also present at the meeting.

The leaders emphasized on the importance of simplifying business procedures for the export-oriented apparel industry to help retain its competitiveness on the global market. They also requested the NBR to banish customs and bond-related obstacles from the business proceedings to accelerate growth of the RMG industry.

Source: fashionatingworld.com- Jul 06, 2022

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NATIONAL NEWS

Exporters' order books begin to shrink due to low demand in key markets

Order books of Indian exporters have begun shrinking as inventories pile up in key export destinations on low demand. Order books have shrunk 15-20% for leather and footwear, while in yarn, volumes have witnessed a sharp 70% fall.

High inflation in the US and the EU slowed take off for cotton yarn, ready-made garments, leather goods and handicrafts, impacting the pace of India's exports in June, which rose 16.8% on-year at $37.9 billion, slower than 20.5% in May.

"The clients in the US are doing cautious buying as their budgets are tight due to high interest rates. While orders had increased last two years, we expect a 15-20% decline now," said Rafeeque Ahmed, chairman of Farida Group, one of India's largest shoe manufacturers and exporters, which is a vendor to overseas firms such as Adidas, Clarks, Marks & Spencer, Debenhams and Bally Shoes.

Exports of yarn, fabric, madeups and handloom products have shrunk 22.54% in June.

"Our cotton prices are higher than global prices and domestic demand has vanished because of stagflation. The order book for yarn is down 70-80% and for fabric 30-40% against a few months ago," said Sanjay Jain, chairman of ICC National Textile Committee.

Slow retail sales in the US and the EU have delayed the orders for readymade garments while yarn exports have come to a standstill, exporters said.

"Large retail chains are delaying their purchases because of which the orders that were to be picked up in April, have been postponed to October. Our MSMEs are bearing the brunt of this impact," said a Delhi-based exporter of readymade garments.

Industry representatives said that the pressure on order books due to lower demand will also compress prices in the future.

"Pent up demand led to high exports last year but that trend will be difficult to maintain unless the inventory liquidates. Buyers place their orders for September during this period but that volume has halved," said one representative.

As per Rakesh Kumar, director general, Export Promotion Council for Handicrafts, overbuying has happened in the US and the EU because of clubbing of containers at the buyers' ports earlier this year.

"There are excess quantities and orders are slow but we expect them to recover in the coming quarters. Demand from Eastern Europe, Latin America and Middle East is likely and the FTAs with the UAE and Australia will benefit us," Kumar said.

While the impact on industrial exports is expected to come with a lag, EEPC India chairman Mahesh Desai said the negative spillover of the Russia-Ukraine war has reached engineering goods exports, which declined 1.57% year-on-year in June to $9.14 billion as compared to $9.29 billion in June 2021.

Source: economictimes.com– Jul 07, 2022

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India-EU: global dynamics

Recent progress in the alliance opens up prospects of a customised partnership and mutual growth

With carbon neutrality being the byword to a sustainable world, a host of countries — Norway, Sweden, the United Kingdom, France, Spain, Japan, Germany, Canada, Costa Rica, the United States, Brazil, India, and China among others — have set for themselves net-zero targets for the middle and later part of the century.

At the forefront of the commitment to net-zero is the European Union, which wants to be the first carbon-neutral region in the world by 2050. It brought out the 'European Union Green Deal' in July last year to focus on a new growth strategy that aims to transform the EU society into a fair and wealthy one with a modern, resource-efficient and competitive economy.

CBAM: carbon-pricing system

To attain carbon neutrality, the EU has set forth immediate targets and has brought out the 'Fit-for-55' package, a communication of its 2030 climate targets. A provision in the policy plan is the introduction of Carbon Border Adjustment Mechanism (CBAM), a carbon-pricing system proposed for imports into the EU. The CBAM suggests taxing the imported goods-based difference between carbon used in the production of domestic and imported goods.

Proposed to be complementary to the EU Emission Trading Scheme (EUETS), during the transition phase of CBAM — beginning January 1, 2023 — importers will only have to report emissions embedded in the production of goods and are not obliged to pay a financial penalty.

The CBAM, however, will come completely into force from January 1, 2026 and the measure will see a gradual reduction of free EUETS allowance coverage of 10 percentage points per year and a complete phase-out by 2035. In the initial phase, five CITE (Carbon Intensive and Trade Exposed) sectors such as iron and steel, aluminium, cement, fertilizers and electricity will be taxed under CBAM. Eventually, all sectors under EUETS will be brought under its ambit.

The EU claims that CBAM is intended to reduce carbon leakage, create a level playfield for EU producers and encourage producers in other countries to adopt cleaner technologies. But several discussions have cropped up around CBAM. Developing countries have raised their concern on the legality of CBAM pointing out its conflict with World Trade Organization (WTO) and the United Nations Framework Convention on Climate Change (UNFCCC) norms, and are afraid that it encourages protectionism.

History provides several instances of conflict between domestic restrictive policies stating environmental concern and trade openness such as the Shrimp-Turtle Case and Air Transport Association of America vs Energy Secretary Case for Energy and Climate Change. Rulings in these cases have been in favour of environmental laws, proving that the ongoing debate is a continuation of pre-existing issues and, in the past, environment concerns have outweighed those related to trade.

Developing countries also flag the use of revenue collected from CBAM. According to the EU, revenue collected from CBAM will be a part of the EU's budget, the NextGenerationEU, a recent initiative launched to provide economic support to EU member countries impacted by the COVID-19 pandemic. Countries opposing the proposed revenue utilisation mechanism suggest that if CBAM is to be implemented, revenue collected from it should be used for cleaner technology adoption in developing countries.

India and the EU share a healthy trade relationship. The EU is India's third largest trading partner, while India is EU's 11th largest trading partner. In 2019-20, India-EU trade accounted for ₹63.8 billion (11.1% of total Indian trade) in goods, while a total of 1.9% of EU's total trade in goods in 2020 came to India. India exports almost 14% of its global exports to the EU.

Progressive steps

Recently, there has been increasing initiative from both sides to deepen engagement with each other. Talks on India-EU Free Trade Agreement (FTA) that were stalled a while ago have picked up again and are scheduled to take place in June. The target to finalise the Free Trade Agreement has been set for 2023-24.

Both India and the EU are committed to climate change, and the recent progress in India-EU alliance opens prospects of a customised partnership and mutual growth.

Rather than tax on exports to EU as proposed in CBAM, India and EU can cooperate better by investing in cleaner and greener technologies in India and helping in cleaning up production in India. Such a partnership will ensure that both India and the EU have their agendas of economic growth and sustainability fulfilled, a win-win situation for both entities.

Source: thehindu.com– Jul 07, 2022

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Commerce and Industry Minister, Shri Piyush Goyal reviews progress of PM GatiShakti

The PM GatiShakti is already beginning to fast-track a number of infrastructure projects across the country with some states beginning to use it for better implementation of social sector projects. Commerce and Industry Minister, Shri Piyush Goyal, chaired a review meeting of the PM GatiShakti here today. The meeting deliberated the progress achieved so far and saw participation of various senior officials from M/o Railways, MoRTH, MoPSW, D/o Food & PDS, M/o Coal, M/o Steel, D/o Fertilizers, DoT, M/o Rural Development, and BISAG-N(Bhaskaracharya National Institute for Space Applications and Geo-informatics).

The meeting reviewed the status of the National Master Plan since its launch on October 13, 2021 and discussed plans for faster integration of data into the portal. With over 900 data layers updated by Central Ministries and 316 essential layers by States/UTs, the meeting took note of various Ministries/Departments using the same to share their proposed projects after having been mapped and aligned digitally.

Speaking on the occasion, Shri Piyush Goyal said that under the PM GatiShakti's transformative approach, the government is committed to resolve user issues by overcoming various departmental silos. He added that its role through the National Master Plan and the Institutional Framework is essential to lay down the stepping stones to India's multimodal infrastructure network

The meeting also acknowledged the progress made on state-level institutional arrangements. The Secretary, Shri Anurag Jain, DPIIT informed that along with a functioning Empowered Group of Secretaries in 32 States/UTs, 29 among them have also been able to formulate their Network Planning Group and Technical Support Unit.

The Special Secretary, Amrit Lal Meena, DPIIT, also highlighted the role that the National Master Plan has been playing in inter-ministerial planning and coordination. He shared that, with portals for Central and State Ministries now fully functional, all essential data layers have been uploaded to enable infrastructure Ministries/Departments extensively utilise the National Master Plan for all pending and future projects.

He highlighted the case of the Taranga hill- Ambaji-Abu Road Broad Gauge New Railway Line which had stalled its pre-alignment for nearly 6 months due to the lack of khasra data, field survey on forest and wildlife sanctuary and no visibility of intersection with mining areas. It was completed in just 7 days using the National Master Plan. Senior official representing the MoRTH also shared that the pre-alignment of 5 Greenfield Corridors were fast-tracked using the National Master Plan.

The meeting deliberated over releasing the National Master Plan in public domain. Senior officials informed that guidelines for the release are already underway. The meeting particularly emphasised the role that the National Master Plan could play in decision-making for the social sector. The Special Secretary, informed that few States/UTs have already been doing the same.

As an approach towards integrated planning and coordination, the meeting applauded the recently operationalized GatiShakti Sanchar portal by the DoT. Since its launch, the portal has been able to reduce pendency, thus leading to faster implementation of projects. Senior officials from the M/o Steel also shared the launch of a mobile app under the National Master Plan for geotagging infrastructure and resolving geolocation availability issues.

Source: pib.gov.in– Jul 06, 2022

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CBIC notifies procedural changes in GST rules to ease compliance burden on small players

The government has notified certain procedural changes in the GST rules, including those related to threshold, for filing annual returns for the 2021-22 fiscal, a move that will help ease the compliance burden on small players.

The changes were vetted by the Goods and Services Tax (GST) Council at its meeting last week. MS Mani, Partner with Deloitte India, says: “The quick implementation of the decisions taken by the GST Council is welcome as some of these are extremely beneficial to businesses. Industry would prefer a standard date or two every year when changes are implemented in GST as these changes impact their internal systems as well.”

With the amendments notified by the Central Board of Indirect Taxes and Customs (CBIC), businesses have also been allowed to make tax payments on the GSTN portal by using IMPS and UPI payment modes.

Businesses with an aggregate annual turnover of up to ₹2 crore in the fiscal ended March 31, 2022 are exempt from filing annual returns for 2021-22, as per the amended rules. KPMG India Partner (Indirect Tax) Abhishek Jain said these changes will help the small players in undertaking compliances, and will lighten the burden for taxpayers with less than ₹2 crore turnover to the extent of filing of annual returns under GST.

Other changes

Other important changes include extension of time-limit specified under Section 73 (determination of tax) under the GST Act for issuance of an order for FY 2017-18 to September 30, 2023. However, no extensions have been provided for any other financial year.

In relation to the delayed filing of refund applications during the Covid period (March 1, 2020 to February 28, 2022), extension has been granted that will enable numerous exporters to encash the refunds stuck in litigation.

Jain said considering the Covid scenario of the last two years for India, the government has extended the limitation period under GST for issuance of notice to taxpayers who have not paid/ short paid the tax due. Similarly, relaxation in limitation is granted for filing refunds.

“While the intention of the government is to curb revenue leakage, this change keeps the businesses exposed to departmental audits and assessments for some additional time. This being said, this change also ensures that genuine taxpayers are not denied their refund claims,” Jain added.

The manner of calculation of interest on delayed payment of tax has been notified and that would help taxpayers in making precise calculation of the tax dues. As per the amended rules, every invoice issued by an MSME supplier will have a standard declaration printed on invoice regarding non-applicability of e-invoice. Also, cash ledger balance can be transferred from one GST registered entity to another under the same PAN.

The changes were approved by the GST Council, comprising finance ministers of Centre and State, at its June 28-29 meeting.

Source: thehindubusinessline.com– Jul 06, 2022

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Export growth to falter in FY23 on external headwinds

Fears of economic recession in key markets such as the US and the EU, persistent supply-chain woes and a recent drop in fresh orders have threatened to derail India's dream run in the export sector, one of the bright spots in the economy in the aftermath of the Covid pandemic, according to exporters and senior industry executives.

Importantly, some countries in Africa have started to cut down on imports of discretionary imports to conserve their forex reserves at a time when the US interest rate hike has spurred a capital flight from developing economies, they added. On top of these, crisis-ridden Nepal and Sri Lanka have restricted imports to a bare minimum. These, too, could potentially put a leash on India's export momentum, said the exporters.

The US and the EU together accounted for 33% (or $141 billion) of India's exports in FY22. Similarly, exports to Nepal and Sri Lanka were to the tune of $15.4 billion last fiscal and shipments to Egypt and Ethiopia stood at $4.4 billion.

Exporters that FE spoke to said outbound shipments will still rise, although the pace of growth will likely decelerate to 10-15% in FY23 from 45% in the previous year (albeit on a contracted base), unless the Ukraine war de-escalates swiftly. Exports had hit a record $422 billion in FY22, far exceeding the earlier peak of $330 billion, on the back of an industrial resurgence in advanced economies, which is now faltering.

Curbs or outright ban on a number of items, including steel, iron ore, petroleum products and wheat, will also impinge on export prospects. Sectors ranging from textiles, gems & jewellery and transport equipment to plastics to rubber products are facing a slowdown in export orders, said the exporters.

Ajay Sahai, director general and chief executive of apex exporters' body FIEO, said: "With major economies facing recession, demand will take a hit and it's bound to impact new orders. In some segments, such as steel and cotton yarn, demand has already come down. Unless the geo-political situation improves drastically, we may not see major improvement in export growth, especially on a high base."

Sahai said a few markets in Africa, including Ethiopia and Egypt, have started allowing imports only on the basis of letters of credit, as they seek to know in advance the potential forex outgo. This move typically limits imports.

Importantly, growth in core exports (excluding petroleum and gems and jewellery) slowed down to 4% in June from 8.6% in May and 19.9% in April.

Meanwhile, the surge in imports, witnessed since the second quarter of FY22, is expected to continue unabated, as a global price rise in commodities ranging from crude oil to coal and fertiliser, has substantially inflated the import bill likely causing trade deficit to soar past last year's record $191 billion in FY23. Already, trade deficit in the first quarter of FY23 touched a fresh peak of $70.3 billion.

The World Trade Organization in April slashed its merchandise trade volume growth forecast for 2022 to 3% from its previous prediction of 4.7%. It also expects only 3.4% growth in 2023. There are apprehensions that that global trade body may further trim its forecasts. This will impact India's export prospects as well.

Raja Shanmugham, president of the Tirupur Exporters Association that represents the country's largest garment cluster, said the flow of orders from the US and the EU has already started waning. "For the buyers in the US, the fear is mostly around high inflation. In the EU, apart from the recession, the fears of low gas supply, among others (a fallout of the Ukraine war), are contributing to the fall in orders."

There is silver lining as well for some sectors, said the exporters. Ravi Sehgal, former chairman of the engineering exporters' body EEPC India, said, "Engineering exports are facing some issues now. However, demand is likely to pick up in another two months or so, as the US has started implementing a huge number of infrastructure projects, which will revive demand for engineering goods. So, the engineering goods sector is expected to do better than some others."

Moreover, sectors, such as pharmaceuticals and food and agriculture, are typically more insulated than others in times of recession, said the exporters.

R Uday Bhaskar, director general at the Pharmaceutical Export Promotion Council, said recession fears may not impact pharma exports. “These are not like any other products where recession will pull down demand.

Pharmaceutical exports jumped about 18%, the highest growth in nine years, in FY21 (when most countries witnessed contraction or sharp slowdown in growth) due to the pandemic.” “This fiscal, we were expecting the exports to go up to about $28 billion from $24.5 billion last fiscal and we will meet the target,” Bhaskar added.

Source: financialexpress.com– Jul 07, 2022

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What Are The Government Plans For Textile Industry? Watch Details In This Video

https://www.zeebiz.com/video-gallery-what-are-the-government-plans-for-textile-industry-watch-details-in-this-video-188867

Source: zeebiz.com– Jul 06, 2022

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Labour reforms will hurt employment

Labour Minister Bhupender Yadav, in the article 'Labour reforms and the rise of jobs' (BusinessLine, June 24), argues that "India's labour regulatory framework has been rigid and hindered the growth of output, investment and employment expansion". He buttressed his arguments with the reports of four big employer associations — Assocham, CII, FICCI and PHDCCI — along with a study of VV Giri National Labour Institute.

He then cites the labour reform undertaken by the BJP government in Rajasthan in 2014-15 and how that has paid off. Before getting into the debate on labour reform vis-a-vis the growth stories that have repeatedly been dished out since the 1990s when the LPG (liberalisation, privatisation and globalisation) policies were first rolled out in India, it would be relevant to assess the current unemployment scene. The Minister has portrayed a rosy picture, whereas the reality is alarming.

Thirty-one years after that watershed moment in India's socio-economic history, the country is battling acute unemployment and job losses.

Informal sector jobs

In a 2019 report, data analysts at IndiaSpend reveal that the country had not created adequate jobs since liberalisation, and 92 per cent of jobs created were in the informal sector.

Thus the unemployment situation has been alarming even before the huge dislocation unleashed by the unplanned lockdowns imposed in 2020-21 in the wake of the Covid-19 pandemic.

Much before the pandemic, the National Sample Survey Office (NSSO) reported a 6.1 per cent unemployment rate in 2017-18, the worst in over four decades. The picture has become more dismal in the ensuing months since April-May of 2020.

For instance, in December 2021, the Centre for Monitoring Indian Economy (CMIE) estimated that nearly 53 million Indians were unemployed, a large proportion of whom were women. The unemployment rate was hovering at 7.91 per cent in December 2021.

The recent agitations by the youth against the Agnipath scheme are a reflection of the gravity of the situation. Recently, the Railway Recruitment Board received 1.25 crore applications for a mere 35,000 posts. Many a time a few government jobs, that too at the bottom level, have attracted thousands of applications.

Clamour for govt jobs .

Why is there this scramble for government jobs? Labour historian Prof Maya John says it stems from the fact that bulk of the jobs in the private sector is characterised by high job insecurity (easy hire and fire), poor basic pay, and long hours of work. Historically, only a small number of employer-employee work relations — associated mostly with the formal sector — have been subject to state regulation. However, in recent decades, there has been a steady decline of even that.

This deregulation has been coupled with a concerted push towards rapid privatisation of the public sector. Together, these developments have contributed significantly to periodic and permanent mass unemployment among both skilled and less skilled workers.

In addition, avenues of gainful employment for new entrants in the job market have fallen drastically.

Contrary to the Minister’s claims, the VV Giri National Labour Institute study (No 122/2017), led by Sanjay Upadhyaya and Pankaj Kumar, did not find any evidence that previous labour law reforms initiated in Rajasthan and other States had succeeded in attracting investment and boosting investment leave alone create jobs.

Rather it had concluded that that “so far as expected outcome/impact is concerned from the effected amendments in these States… the strains on labour are already clearly visible which warrant attention to ameliorate and to offset the resultant hardships and uncertainty faced by the workers at least in the interim period.”

Rajasthan’s labour reforms

As the Minister has referred to the Rajasthan experiments in labour law deregulation as the most ideal, it would be in order to cite a more recent research on this. The Azim Premji University’s Centre for Sustainable Employment has done an exclusive study on the Rajasthan experiments under the title ‘Labour Reforms in the Indian State of Rajasthan; a boon or a bane?’, by Diti Goswami and Sourabh Paul and published as the CSE Working Paper in January 2021.

In this paper, the authors conclude thus: “Our empirical analysis shows the reforms to have an unintended consequence of the decline in labour use… The implications regarding employment are similar to those presented by D’Souza (2010); Kapoor (2014); Chandru (2014); Chatterjee and Kanbur (2015); Deakin and Haldar (2015); Roychowdhury (2019); Roy, Dubey and Ramaiah (2020) in the sense that higher flexibility (of labour laws) is associated with weaker employment growth. Also, worryingly, the increased flexibility results in a disproportionate reduction in the directly employed workers. Heyes and Lewis (2015) and Avdagic (2015) find similar results for the European Union.”

Importance of human capital

According to the ‘Ease of Doing Business’ study published by the World Bank in 2014, only a little over one-tenth of the respondent firms in India had perceived labour regulations as a major constraint (World Bank Group 2014).

Research by Kucera (2002) showed that core labour standards of the ILO produce better human capital (that is, the elimination of child and bonded workers), greater efficiency through the labour cost-productivity nexus, and more social and political stability via freedom of association and collective bargaining. Freeman and Medoff (1991) have argued that trade unions contribute to the productive efficiency of a firm through voice channels and also contribute to equitable outcomes in them.

Hence, to accelerate growth and provide jobs to all the aspirants in the labour market and, thereby, reap the huge demographic dividend, there’s a need to get rid of pro-corporate, both domestic and foreign, policies. Economic growth and employment have nothing to do with labour reform. They are more specifically related to demand constraints, which entail more redistributive measures.

Thus, the implementation of the labour codes and rules has no potential to accelerate India’s journey to lead the world’s strongest economies; rather, it would lead to the enslavement of our workers, besides aggravating the choking of consumption and contributing further to the slump in the job-market as well as employment generating investment. India has achieved higher rate of growth before 2014 without any drastic deregulation in the name of labour law codification.

Source: thehindubusinessline.com– Jul 06, 2022

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RBI takes steps to attract foreign flows, says growth prospects stay strong

The Reserve Bank of India (RBI) on Thursday announced a series of measures to attract foreign flows in a bid to protect the local currency amid depleting foreign exchange reserves. India's foreign exchange reserves have depleted by $38 billion to below $600 billion since the Russian invasion of Ukraine late February.

While announcing the measures, the central bank said growth prospects for the Indian economy remained strong and resilient, and that despite headwinds from geopolitical developments, elevated crude oil prices, and tighter external financial conditions, high-frequency indicators pointed to an ongoing recovery in several sectors.

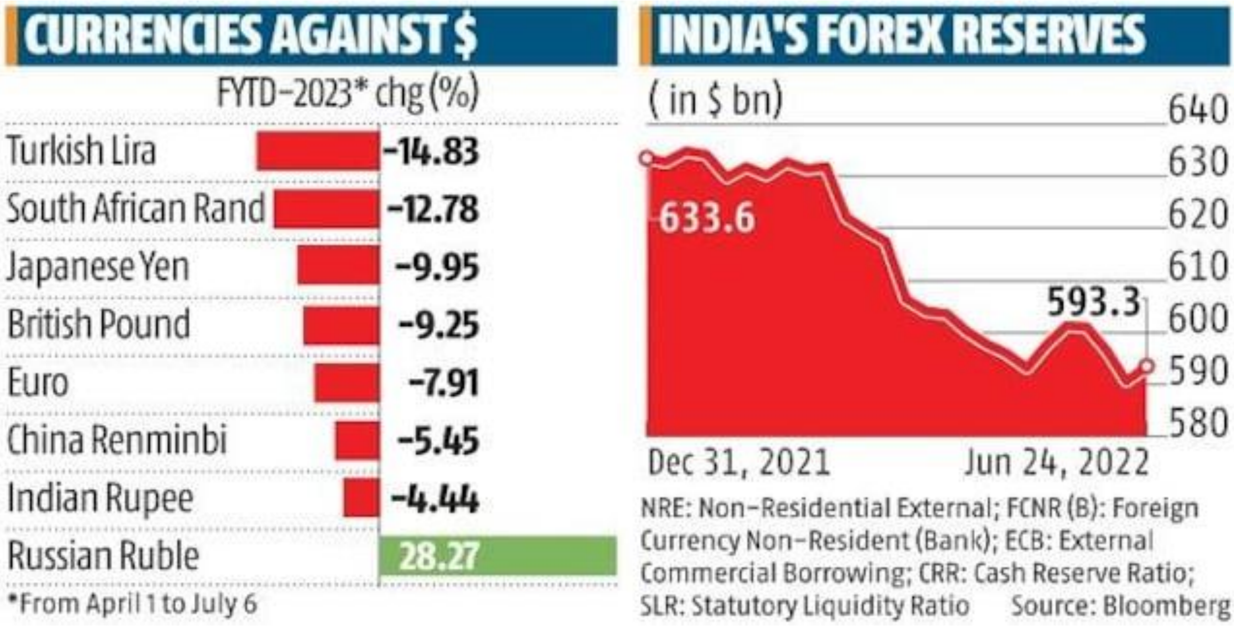
“Reflecting these strong fundamentals, the Indian rupee has depreciated by 4.1 per cent against the US dollar during the current financial year so far (till July 5), which is modest relative to other EMEs (emerging market economies) and even major advanced economies (AEs),” the RBI said, adding that India's foreign exchange reserves stood at $593.3 billion as on June 24, supplemented by a substantial stock of net forward assets.

“The current account deficit (CAD) is modest. All capital flows barring portfolio investments remain stable and an adequate level of reserves provides a buffer against external shocks,” it said.

Among steps taken to attract dollars, banks have been exempted from maintaining the cash reserve ratio (CRR) and statutory liquidity ratio (SLR) for incremental NRE (non-residential external) and FCNR (B) (foreign currency non-resident-bank) deposits with effect from the reporting fortnight beginning July 30. This relaxation will be available for deposits mobilised up to November 4, 2022. Banks also have been allowed to raise fresh FCNR (B) and NRE deposits without reference to the regulations on interest rates, with effect from July 7. This relaxation will be available for the period up to October 31, 2022.

The central bank said it had been closely and continuously monitoring the liquidity conditions in the forex market and had stepped in as needed in all its segments to alleviate dollar tightness with the objective of ensuring orderly market functioning.

Moreover, the RBI has relaxed FPI investment norms in government bonds. New bond issuances of 7-year and 14-year maturity would be made eligible for the Fully Accessible Route.



The RBI also relaxed norms on residual maturity for FPI investments in government and corporate debt. On external commercial borrowing, the limit under the automatic route has been increased from $ 750 million to $ 1.5 billion. The all-in cost ceiling under the ECB framework has been raised by 100 basis points, subject to the borrower being of investment grade rating.

The RBI said Wednesday’s measures were aimed at enhancing exchange inflows while ensuring overall macroeconomic and financial stability.

“In order to further diversify and expand the sources of forex funding so as to mitigate volatility and dampen global spillovers, it has been decided to undertake measures to enhance forex inflows while ensuring overall macroeconomic and financial stability,” the RBI said.

“Overall, a fairly comprehensive set of measures have been announced. They are trying to work on three channels – the banking deposit side, the ECB side, and the FPI debt side. The FDI regime in India is quite liberal already so there is not much to be done over there,” Barclays Managing Director and Chief Economist Rahul Bajoria told Business Standard.

"From a fundamental standpoint, the rupee has a problem of mismatches in the current account and the capital account. The current account deficit is pretty sticky and it is likely to remain sticky over the course of the next 3 to 6 months, whereas capital flows have been negative. It looks like, as a result of this announcement, some of that gap will get breached."

Standard Chartered Bank's foreign exchange team has a forecast of 79 per US dollar for the rupee by the end of September but sees a risk of the local currency overshooting over the near term, with a target of 80.50 per dollar, the bank's Head of Economic Research South Asia, Anubhuti Sahay, said.

Source: business-standard.com– Jul 06, 2022

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Online retail spending in India to grow nearly sixfold to $300 bn by 2030: BCG Report

Boston Consulting Group report said on Wednesday. According to the report, the number of digitally-influenced shoppers has grown rapidly in recent years, reaching 280 million from 260 million and online shoppers have grown to 230 million from 210 million in 2021.

BCG expects these numbers to increase by 2.5 times over the next decade, accompanied by nearly sixfold growth in online retail spending.

"We expect online shoppers to nearly triple over the next decade and online retail spending to grow nearly sixfold to reach USD 300 Bn by 2030. COVID has further accelerated online shopper and spend growth by 3-4 Years.

"The pandemic pushed new-to-online shoppers and existing shoppers to increase their online purchasing, as physical shopping channels closed or became difficult to access," BCG India managing director and senior partner Nimisha Jain said in a statement.

Digitally-influenced retail spend to surpass USD 1.5 trillion by 2030 accounting for about 80 per cent of total retail spends, according to the BCG report.

With one of the world's lowest data and smartphone costs, growing internet penetration, and a proliferation of new online shopping channels, India is experiencing a dramatic rise in e-commerce and digitally influenced spending as India becomes the second largest digital economy by number of internet users, the report said.

BCG claims that the findings were corroborated and substantiated by real-time transaction data gathered and analyzed on the purchase transactions of over 8 lakh consumers comprising about 2 lakh e-shoppers, along with multiple industry reports and expert interviews.

The survey was conducted with over 10,000 Indian consumers, across more than 40 metro to tier 4 cities and 50 rural towns and villages, and was overseen by BCG's Center for Customer Insight, according to the report.

While mobiles, electronics and travel once dominated the online retail space, categories such as online food orders, FMCG, and beauty and personal care (BPC) items have seen sales grow by three to five times in recent years and expected to be the fastest growing sectors too, along with fashion, the report said.

Source: economictimes.com– Jul 06, 2022

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US Fashion brand Gap returns to India, signs deal with Reliance Retail

Reliance Retail has entered into a franchise agreement with Gap Inc to bring the American fashion brand to India. Gap will return to India the second time after parting ways with Arvind Fashions in 2020.

Reliance Retail will be the official retailer for the fashion house in India, mixing exclusive stores and digital commerce platforms. “The partnership is aimed at leveraging Gap’s position as a leading casual lifestyle brand, and Reliance Retail’s established competencies in operating robust omnichannel retail networks and scaling local manufacturing and driving sourcing efficiencies,” Reliance Retail said in a press release about the long-term agreement.

“At Reliance Retail, we pride ourselves in bringing the latest and best to our customers and we are happy to announce the addition of iconic American brand, Gap to our fashion and lifestyle portfolio. We believe that Reliance and Gap complement each other in their vision to bring industry-leading fashion products and retail experiences to their consumers,” said Akhilesh Prasad, CEO, fashion & lifestyle at Reliance Retail said in the release.

Adrienne Gernand, managing director of international, global licensing and wholesale at Gap Inc, said that the company looks forward to growing the Gap business across key international markets.

“Partnering with regional experts, like Reliance Retail in India, allows us to deliver our relevant, purpose-driven brand to customers around the globe while continuing to diversify our business portfolio through our partner-based model,” said Gernand.

Reliance Retail is a subsidiary of Reliance Retail Ventures (RRVL), which is the holding company of all retail companies under the Reliance group. RRVL reported a consolidated turnover of Rs 199,704 crore and a net profit of Rs 7,055 crore for FY22.

Gap first came to India in 2014 through a franchisee agreement with Arvind Fashions and exited six years later.

Second Coming

- Founded in San Francisco in 1969, Gap is considered as an authority on modern American style
- Gap's previous attempt to woo Indian customers turned sour after it terminated a deal with an Arvind Fashions unit in 2020
- For Gap, whose brands include Old Navy and Banana Republic, the partnership with Reliance comes as clothing retailers struggle with weak demand in the face of surging inflation
- For Reliance, the deal comes days after announcing a plan to open outlets of popular British sandwich and coffee chain Pret A Manger in India
- Reliance has hundreds of retail stores spanning electronics, groceries and fashion in India, and is also expanding into e-commerce

Source: business-standard.com– Jul 07, 2022

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Trailer operators' strike brings container movement to a standstill at Chennai, Kamarajar and Katupalli ports

Around 8,000 import boxes are stranded at the ports

Container movement has come to a standstill over the last three days due to the strike called by trailer operators, plying nearly 4,000 vehicles at the ports of Chennai, Kamarajar at Ennore and Adani at Katupalli. This has left around 8,000 import boxes stranded at the ports, said multiple sources.

The export containers are stranded at many places and missing vessels have a big impact. Cargo such as pharma, medicine and automobile spares are stuck in ports and container freight stations (CFS), said a port user.

Delivery of Direct Port Delivery and CFS-bound containers have been impacted. Exports coming to the port to connect planned vessels are also impacted due to the strike, said an official at the Katupalli port.

The trailer operators are seeking a revision in transport rates for intra-city movement. "We have asked for an 80 per cent increase in the rates," said SR Raja of the Trailer Owners' Association. The National Association of Container Freight Station (NACFS) is not agreeing to this, he added.

Raja said a revision was sought using the base rate of 2014. While the price of all transport related items and diesel has gone up, the freight rate for transport of cargo / containers has remained stagnant for eight years.

Their efforts to reach out to the stakeholders – CFS, shipping lines, Customs brokers, importers, exporters and others - have failed amidst a reluctance among the stakeholders to meet and discuss their concerns. Left with no option and the spiralling cost of transport operations, supply of vehicles for cargo movement from and to the ports has been stopped.

However, an NACFS official said the steep increase was not warranted as there is already an escalation in rates. The cost of moving containers in Chennai was almost double that in Nhava Sheva port, he said.

For instance, the cost of moving a 20-ft container over 20 km is Rs 2,400 in Nhava Sheva, while it is Rs 4,000 for the same distance in Chennai. A few years ago, there was congestion outside the port, but there is no such thing now, with a vehicle turnaround of around 8 hours, he said.

A large cross-section feels that the transport rate deserves review and revision, though the quantum sought by the transport operators is not viable and a reasonable increase could be considered.

A meeting among stakeholders, including the trailer operators, NACFS, Chennai Custom Brokers' Association (CCBA) with the traffic police, RTO, port officials and District Administration did not make any headway as both container freight station operators and steamer agents declined any increase, while the CCBA agreed to consider a 10 per cent hike.

Sources said a meeting among all the stakeholders will be held on Thursday to sort out the issue.

Source: thehindubusinessline.com– Jul 06, 2022

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How about crowdfunding for start-ups?

The Indian start-up story received a lot of attention last year when global investors, flush with funds, bet big on fledgling Indian companies. Number of deals as well as deal value was the highest ever in the third quarter of 2021 and a string of consumer-facing start-ups made bombastic debuts on Indian stock market.

But if you thought that this was the best of times for all Indian start-ups. you would be mistaken. For, out of 61,400 start-ups launched till January 2022, only around 7 per cent have been able to raise funds from PE or VC investors. The remaining 56,000 start-ups are still out there looking for ways to raise funds.

The saga of the companies which have managed too raise money from PE and VC investors is not too upbeat either. With these investment funds suffering large losses in the tech-stock meltdown on Nasdaq and other stock exchanges over the last six months, and money becoming scarcer due to monetary tightening by global central banks, they have become far more tight-fisted with their existing investments; requiring the funded start-ups to reduce expenses and improve margins. Deal value as well as number of deals have been declining in 2022.

In other words, not only do the non-funded start-ups require channels for raising funds, but funded start-ups may also be looking for means to reduce their reliance on the venture capital and private equity investors.

The aam janata can help here and the way to tap this segment is through crowdfunding. Start-ups in countries such as UK, US, Japan and France are already using crowdfunding to raise resources. The Indian regulator is going slow as of now due to the multiple challenges in this route. But it would be good to address these issues to open this channel soon.

Why crowdfunding?

Numbers reveal that wealth and savings of Indian households increased during the pandemic. Over the last two years, poured copious amount of money into stocks, mutual funds, cryptocurrencies et al. It may be a good idea to allow retail investors with the wherewithal to take high risk, a foothold in the start-up ecosystem as well; through the crowdfunding channel.

Not only will this allow small investors to benefit from the vibrant start-up ecosystem, it will also provide a more sustainable source of funds for the upcoming companies.

Crowdfunding, as the name suggests, asks the crowd to give funds for specific projects, businesses, social ventures etc. Small amounts of funds can be raised from a large number of investors by launching fund-raising campaigns, which are accompanied by strong advertising, and run for specified periods. These fund-raising projects are executed through crowdfunding platforms, social media etc.

In community crowdfunding, funds are raised for a social or charitable causes and money given here is akin to donations with no expectation of return. Some community crowdfunding platforms give rewards or gifts to donors.

But participants in financial returns crowdfunding platforms expect to earn returns for the funds given. These platforms could be either peer to peer lending platforms or equity crowdfunding platforms.

In India, community crowdfunding platforms are legal and allowed to function. Of the two types of financial returns crowdfunding, the RBI regulates peer to peer lending activities. But SEBI is yet to frame regulations for equity crowdfunding which can be used by early-stage start-ups to source funds.

The regulatory quandary

SEBI had floated a consultation paper on equity crowdfunding in 2014, but not much progress has been made after that. This could be due to the myraid challenges in opening this route.

The biggest regulatory challenge is investor protection. The risk taken by angel, PE and VC investors will be transferred to retail investors, who may not be sophisticated enough to evaluate the business or the risk involved. There will also be no recourse to investors if the company defaults or does a vanishing act.

Two, there is a risk of the platforms being misused by fraudsters to dupe investors in to putting money in to dubious projects.

With the fund-raising campaign being run on social media and internet, money can be raised from overseas as well. This can lead to violation of FEMA and money laundering.

The shares issued may be illiquid with no secondary market available for trading in them.

The Companies Act, 2013 which lays down rules for public and private placements of equity shares and the Securities Contracts (Regulation) Act need to be modified to permit businesses to issue equity through these platforms.

Crowdfunding platform in SEs

While the challenges seem to be many, they may not be unsurmountable. Investors face equally high risk in understanding and evaluating main-board and SME IPOs; yet there are many takers for those. Similarly, risk of companies defrauding investors exist in regular as well as SME segment of the stock market too. Retail investors wanting to participate in early stage start-ups should therefore be allowed to do so.

The JOBS Act (Jumpstart Our Business Startups Act, 2012) of US and regulations for equity crowdfunding framed by other regulators can give some guidance on the manner in which the rules for this segment can be framed.

In the Indian context, QIBs, companies, high networth individuals and eligible retail investors (ERI) can be allowed to invest in crowdfunding issuances.

Minimum annual income of ERIs could be ₹25 lakh and they should have filed tax returns for at least two years. There should be limit of ₹1 lakh for investment in each crowdfunding campaign.

The retail investors should not be allowed to invest more than 5 per cent of their networth in such issues. It will be the job of the platforms to screen the investors and ensure that the investors meet this criteria.

The size of each crowdfunding campaign should be limited to ₹10 crore and the issuing company should file all related information regarding the management, business and financials along with past legal record with

SEBI. This will go a long way towards increasing the credibility of these issuances.

Financial statements of the issuer should be disclosed on the company website every six months and SEBI should also lay down the networth and other criteria for entities eligible to launch equity crowdfunding platforms. The BSE and NSE do have a dedicated platform for start-ups — the Institutional Trading Platform. But they only help investors of already funded start-ups sell their stake. Activity is pretty somnolent here.

One way to kickstart start-up funding through retail investors is by allowing stock exchanges to have a platform dedicated to equity crowdfunding where the campaigns can be run. The exchange can oversee these campaigns and also whet the eligible investors.

The stocks issued through these campaigns can be listed and traded on the ITP platform. Not only will this provide liquidity to investors in crowdfunding campaigns, the ITP platform can also become an active hub for start-up investing.

Source: thehindubusinessline.com– Jul 07, 2022

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India's Haryana state to implement Aatmanirbhar Textile Policy 2022-25

India’s Haryana state government will soon implement the 'Haryana Aatmanirbhar Textile Policy 2022-25', state deputy chief minister Dushyant Chautala recently announced. Micro, small and medium enterprises (MSMEs) in the state will also get a boost with the policy, said the minister, who also holds the portfolio of industries and commerce.

Investors are coming forward to set up industries in the state as the government has taken several initiatives to improve the industrial environment in the last few years, he said.

Haryana has been ranked in the top achievers category in the fifth edition of 'State Ease of Doing Business' released by the central ministry of commerce and industry, he said. It has also been ranked first in the export readiness index (land closed category)-2021.

He assured his government’s commitment to provide a conducive ecosystem to the industry, according to media reports from the state.

Source: fibre2fashion.com– Jul 06, 2022

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Indian polyester yarn prices fall due to oversupply, sluggish buying

The prices of polyester-cotton yarn and polyester yarn dropped further today in Indian markets because of oversupply and sluggish demand. Polyester and blended yarn prices slumped ₹5-15 per kg in Ludhiana. Prices of PTA, monoethylene glycol (MEG) and polyester staple fibre (PSF) came down after continued pressure on crude oil, according to traders.

A Ludhiana based trader told Fibre2Fashion, "There was glut situation of blended and polyester yarn supplies because many spinners have shifted to non-cotton operation. Excessive supply amid weak demand caused for steep fall in prices. Demand remained very weak as buyers do not want to take risk in current volatile market." Uncertain market conditions and fall in raw materials led to ease in prices of polyester and blended yarn, which fell by ₹5-15 per kg in last couple of days.

Polyester value chain has recorded price fall due to decrease in crude oil prices. WTI crude is hovering at around $100 per barrel. PTA and MEG came down further after decline in crude oil prices and down trend in China. PSF price came down to ₹127 from ₹131 per kg of last week.

In Ludhiana market, polyester-cotton blended yarn and virgin and recycled polyester yarn prices dropped ₹5-15 per kg. 30 count PC combed yarn (48/52) was sold at ₹270-285 per kg (GST inclusive), according to Fibre2Fashion's market insight tool TexPro.

30 count PC carded yarn (65/35) was priced at ₹240-250 per kg. 20 count PC (recycled-O/E) PSF yarn (40/60) was traded at ₹190-200 per kg. 30 count poly spun yarn was sold at ₹190-200 and 30 count recycled poly spun yarn at ₹180-190 per kg. High tenacity recycled fibre was priced at ₹95 per kg.

The price of PSF was lowered by ₹4 to ₹127 per kg by Reliance Industries Limited (RIL). The company has fixed prices of raw material as: PTA ₹95.60 (-1.20) per kg, MEG ₹56.80 (-1.70) per kg and MELT at ₹103.14 per kg, as per TexPro.

Meanwhile, cotton prices decreased by ₹200-400 per maund of 37.2 kg in north India due to fear of more imports after the government extended duty-free import till October 2022.

According to traders, spinning mills are reluctant for fresh buying in bearish market. Cotton was sold at ₹9,100-9,300 per maund in Bathinda, ₹8,300-8,600 per maund in Hissar and ₹9,100-9,300 per maund in Sriganganagar.

Source: fibre2fashion.com– Jul 06, 2022

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