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INTERNATIONAL NEWS

Textile Manufacturers: ‘Logistical Costs Are Not Much of a Concern Anymore’

The 17th International Textile Manufacturers Federation (ITMF) Global Textile Industry Survey showed that, on average, the business situation in the global textile industry deteriorated further in November.

At the same time, global business expectations for the next six months remained in negative territory, but did not worsen, ITMF said. The indicators for order intake, order backlog and capacity utilization rate all dropped around the world.

According to the survey, the business situation in the three Asian regions and Europe remained especially poor. On the other hand, in North and Central America the business situation continued to improve markedly.

“Except for the textile machinery segment that still benefits on average from a long order backlog, all other segments found themselves in negative business situations, especially fiber producers and spinners,” ITMF said.

Global business expectations remained negative but “stabilized” at about 10 percent below their July level. Expectations have improved significantly in South Asia and Europe. Business expectations in all segments remained in negative territory, but four out of seven recorded improvements.

Order intake nosedived in November, in line with a weaker business situation and softer demand, currently the biggest concern for the global textile value chain. Only companies in North and Central America registered a “good” order intake, while all other regions were faced with an “unsatisfactory” order situation.

Except for Southeast Asia and North and Central America, order backlogs fell. The only segments where the order backlog increased were the downstream segments for garments and home textiles.

Capacity utilization rate dropped in all regions in November, only increasing in the textile machinery segment but fell otherwise.

As noted, “weakening demand” was by far the biggest concern in the global textile industry, followed by the root causes of demand reduction, namely high energy and raw material prices that lead to high inflation rates.

“The good news is that logistical costs are not much of a concern anymore,” ITMF added. “Concerns about geopolitics, on the other hand, have increased again in the past two months.”

Source: sourcingjournal.com- Dec 14, 2022

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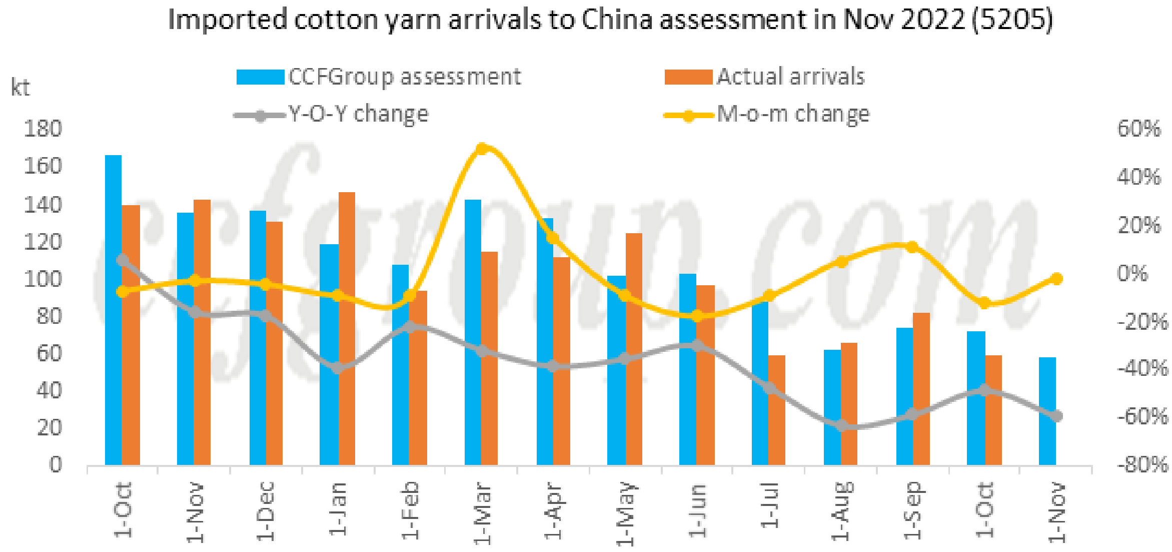
China: Nov cotton yarn imports may reach below 60kt

1. It is estimated that cotton yarn imports may reach 57.9Kt in Nov, down about 59.51% on year and down 1.53% on month

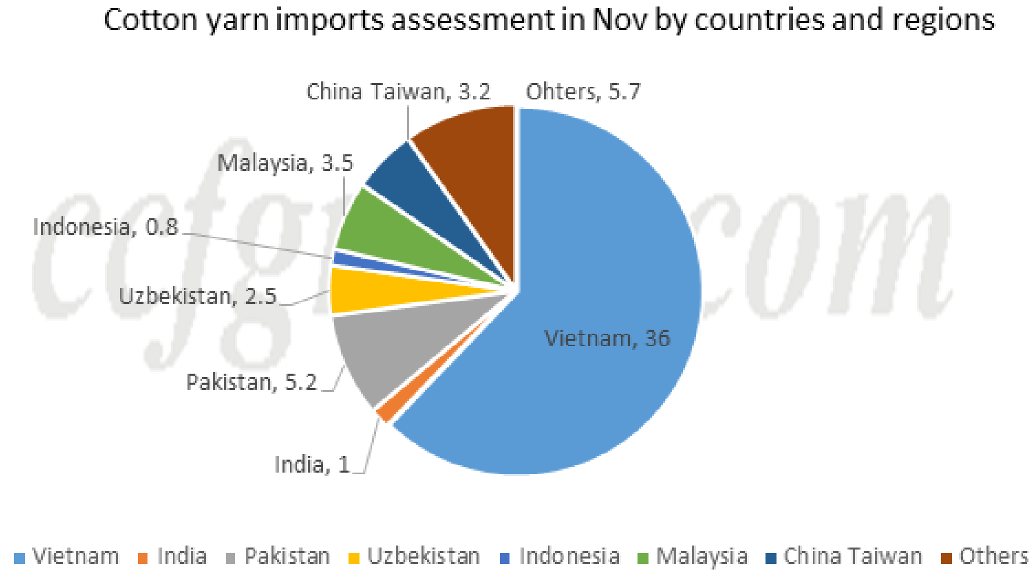


Cotton yarn imports reached below 100kt each month since the second half of 2022, and the sales speed in spot market slowed down greatly dragged by the weak demand for downstream traceable orders. The circulation period of imported cotton yarn lengthened, making overall Chinese ordering volume hard to break through. In addition to great fluctuation of exchange rate, speculative procurement demand reduced largely. Cotton yarn imports is still expected to be at low level. Cotton yarn imports is preliminary estimated at around 57.9kt, down 1.53% on month.

2. Proportion of Vietnamese yarn imports may continue to move up

According to imported cotton yarn traders and company that establishes L/C, cotton yarn imports were mostly with multiple batches and few volumes in Nov. Low-count open-end yarn sometimes met big orders, and the producing origin was mostly Vietnam. Cotton yarn imports mainly arrived at port intensively in the second half of Nov, and some may delay to early-Dec, which was in accordance with Vietnamese Customs export data. Vietnamese yarn exported to China reduced from 50% to 48.6% in Oct, and totaled at 51.9kt. Excluding blended yarn, Vietnamese cotton yarn imports may reach around 36kt in Nov. The shrinkage of Pakistani yarn exported to China was sharper. The arriving inventory from Sep to

Oct still waited for digestion with slow speed, and Pakistani yarn imports may reduce to around 5kt.



3. Supply and demand situation of imported cotton yarn

Supply and demand for imported cotton yarn were both weak in Nov. ICE cotton futures fell largely in Oct, and imported cotton yarn again ushered in ordering chance.

However, most traders chose to reduce ordering or not to order as they were worried about the risk of exchange settlement cost. Imported cotton yarn inventory has gradually reduced to around 40kt.

Vietnamese yarn imports may rise again in Dec when the ordering profit will tend better due to the falling of exchange rate. The increasing volume of downstream traceable export orders was not obvious, and medium and small-scaled fabric mills still lacked orders or held few orders.

Besides, orders from Europe, Japan and South Korea chose to use Chinese cotton yarn to replace imported one due to its cost advantage, so the demand for imported yarn recovered slowly. In short term, the stocking before Spring Festival will bring price support to imported cotton yarn, but is not enough to push the market to go uptrend.

Source: ccfgroup.com- Dec 14, 2022

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ADB estimates 4.2% economic growth in 2022 for developing Asia

The Asian Development Bank (ADB) has forecast 4.2 per cent economic growth in 2022 and 4.6 per cent next year for developing Asia and the Pacific regions. This forecast is lower than ADB's previous estimates that were released in September, 4.3 per cent for 2022 and 4.9 per cent for 2023. ADB updated this data in December due to worsened global outlook.

Monetary policy tightening by central banks globally and in the region, the protracted Russian invasion of Ukraine, and recurring lockdowns in the People's Republic of China (PRC) are slowing down developing Asia's recovery from the COVID-19 pandemic. Restrictions under the 'zero-COVID' approach, along with a struggling property market, have led to another downgrade of the PRC's growth outlook, ADB said in a regular supplement to the Asian Development Outlook (ADO) 2022.

ADB lowered its forecast for inflation in developing Asia and the Pacific this year to 4.4 per cent from 4.5 per cent. However, the bank raised its projection for next year to 4.2 per cent from 4 per cent, due to lingering inflationary pressures from energy.

Gross domestic product growth projections for India were maintained at 7 per cent this fiscal and 7.2 per cent next fiscal. The PRC's economy is forecast to expand by 3 per cent this year, compared with a previous projection of 3.3 per cent. The forecast for next year was cut to 4.3 per cent from 4.5 per cent, due to the global slowdown.

Even with the downgraded forecasts, developing Asia will still do better than other regions globally, both in terms of growth and inflation. ADB's growth forecast for Southeast Asia this year was raised to 5.5 per cent from 5.1 per cent, amid robust consumption and tourism recovery in Malaysia, the Philippines, Thailand, and Vietnam.

Projections for next year, however, were lowered to 4.7 per cent from 5 per cent due to weakening global demand. The growth forecast for the Caucasus and Central Asia this year was upgraded to 4.8 per cent from 3.9 per cent, while the projection for the Pacific was raised to 5.3 per cent from 4.7 per cent, due to a strong tourism recovery in Fiji.

"Asia and the Pacific will continue to recover, but worsening global conditions mean that the region's momentum is losing some steam as we head into the new year," said ADB chief economist Albert Park.

"Governments will need to work together more closely to overcome the lingering challenges of COVID-19, combat the effects of high food and energy prices—especially on the poor and vulnerable—and ensure a sustainable, inclusive economic recovery."

Source: fibre2fashion.com- Dec 15, 2022

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Brazil hikes cotton supply to Indonesia

Brazil will supply cotton to Indonesia. Asian countries like Indonesia need imported cotton to make up for the shortfall in domestic supply.

Indonesia is the sixth largest importer of Brazilian cotton in the world. The surge in demand for imported high-quality cotton has paved the way for a resurgent Brazil's cementing its position as the world's fourth largest producer and second largest exporter of cotton.

In the last four years, Brazil's cotton production has more than doubled. This has been mainly achieved by the use of advanced agricultural technologies and the adoption of non-irrigated agricultural practices in over 90 per cent of Brazil's cotton farms.

During the 2021-2022 harvest season, Brazilian farms have supplied 1,55,000 tons of cotton to Indonesia.

In the world's textile industry, Brazilian cotton has a 28 per cent market share. Brazilian cotton supply is expected to grow again this year. This year's harvest area is expected to increase 15 per cent compared to last year. Production is expected to reach nearly 2.5 million tonnes, making this the second best harvest season in the history of Brazilian cotton.

Globally, Brazil exported 1.519 million tons of cotton between August 2021 and April 2022, generating US$2.87 billion in revenue. Brazil estimates that total exports will reach 1.8 million tons in the next cycle, with an estimated 2.2 million tons for the period 2023 to 2024.

Source: fashionatingworld.com- Dec 14, 2022

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Togo launches 2022-23 cotton commercialisation campaign

Togo launched the 2022-23 cotton commercialisation campaign last week in Korbongou in Savanes region. The Nouvelle Société Cotonière du Togo (NSCT), which will mobilise the logistics required to ensure efficient collection from and rapid payment to cotton farmers, has projected sales of 52,000 tonnes of cotton, mostly produced in the 2021-22 season.

A kilogram of cotton will be sold for CFA300, as was decided in April this year.

Despite having been taken over by Singapore's food and agri-business enterprise Olam, Togo's cotton industry still struggles, a report in a Togolese newspaper said.

According to the ministry of agriculture, the country produced 50,463 tonnes of cotton in the 2021-22 season. This was far behind the expected output of 130,000 tonnes and even lower than the 66,000 tonnes produced in the season before.

Source: fibre2fashion.com- Dec 15, 2022

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EU's re-commerce market projected to grow to €120 bn by 2025

The European Union's (EU) re-commerce market is expected to grow to €120 billion by 2025 (+60 per cent), as per a recent study. Over the next five years, the market share will grow from 10 per cent to 14 per cent. Re-commerce is the selling of previously owned items through online C2C marketplaces to buyers who reuse, refurbish, recycle, or resell them.

In 2021, the EU re-commerce market was valued at €75 billion. Low price and sustainability appear to be two primary driving factors based on feedback from global companies in the flourishing re-commerce sector, according to a study carried out by Cross-Border Commerce (CBCommerce) with support from Checkout.com, FedEx Express, Lengow, nShift and Payoneer.

Ninety-three per cent of consumers surveyed said that inflation impacts their decision to buy and sell pre-owned goods with an increasing emphasis on making and saving money, thus accelerating the growth of re-commerce.

The relatively new term 're-commerce' broke in the preserving retail business where unrecycled goods and landfilled waste wreak havoc on the environment. Taking the concept of the monetary value in pre-owned or second-hand goods, re-commerce marketplaces are sequestering unproductive business models and inventing the circular economy whereby unused or second-hand products are sold back, refurbished, or recycled

Related 'ecological re-commerce' focuses on collecting used items for the sole purpose of repairing or recycling and reselling the reconditioned products.

Source: fibre2fashion.com- Dec 15, 2022

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China largest market for South Africa's fibre exports in Jan-Sept 2022

China was the largest market for South Africa's fibre exports during January-September 2022 with a share of 36.32 per cent. It exported fibre worth $103.848 million out of its total shipment of $285.924 million in the period. Africa is developing its domestic textile industry, but China is a vast market to sell extra fibre, specifically cotton stocks.

Despite being the largest market, African exports to China has witnessed high volatility. South Africa's exports to China fell by 45.69 per cent year on year to $103.848 million in January-September 2022 from $191.218 million in the same period of last year, according to Fibre2Fashion's market insight tool TexPro. The exports jumped by 36.27 per cent from the exports in January-September 2020.

The exports had increased by 28.1 per cent to reach $212.977 million in January-September 2018 but decreased by 58.75 per cent to $87.846 million in January-September 2019. They spurted again by 59.21 per cent to reach $139.859 million in January-September 2020, as per TexPro.

During January-September 2022, South Africa exported fibre worth $38.862 million (13.59 per cent) to Italy, $36.072 million (12.62 per cent) to Germany, $16.963 million (5.93 per cent) to Bulgaria and $11.498 million (4.02 per cent) to Mozambique.

Source: fibre2fashion.com- Dec 15, 2022

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Pakistan: Call to remove export barriers

Exports of agricultural products to China increased by 28.59% year-on-year and reached $730 million in January-August 2022, according to the Chinese Customs data.

Pakistan Businesses Vice President Jahanara Wattoo anticipated that exports of Pakistan's farm produce to China would surge to a record high of $1 billion in 2022. “Though the farmers are hard-working who toil in fields in scorching heat, we lack access to modern technologies and latest research and development work,” she said. "That's the hinderance."

Federation of Pakistan Chambers of Commerce and Industry’s (FPCCI) Pakistan- China Business Council head Javaid Ilyas, while talking to The Express Tribune, called China a massive market for Pakistan's export goods.

"China is near and we have friendly relations. Many agricultural products including apple, peach, Gawar Phali (cluster beans), etc have good demand in China," he said. Gawar Phali is produced only in India and Pakistan and is used in a number of products ranging from shampoos to silky textile prints to ice creams to noodles.

"We face hidden regulatory barriers," he said, adding that Pakistan should also expand its products variety as the list did not exceed a dozen items.

"We cannot benefit from the access we have got to China unless the government helps and encourages all sectors as it does in the case of textile industry." Explaining the barriers, Ilyas said that China was demanding hot water-treated fruits but Pakistan didn't have enough such plants. Similarly, "they ask for seedless kinnow, which we cannot supply."

"Over the last couple of years, there has been a visible increase in agricultural product exports to China, but the potential is still huge," said Wattoo.

Source: tribune.com.pk- Dec 15, 2022

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Pakistan: Textile maker suspends production amid economic downturn

Kohinoor Spinning Mills Ltd said on Wednesday it's temporarily shutting down production owing to multiple reasons, including the "prevailing global and economic downturn," high production cost and low demand.

It told shareholders that the situation is likely to improve in the first quarter of next year and that may enable the company to resume operations.

Many textile makers are facing a liquidity crunch amid unfavourable conditions in the global market. The trend is reflected in foreign trade numbers as textiles constitute the main source of export proceeds.

Speaking to Dawn, Pak-Kuwait Investment Company Ltd Head of Research Samiullah Tariq said the downswing is sector-wide and not limited to a few players.

"The textile industry is battling major challenges in the shape of a bad cotton crop, rising utility rates, low international demand and high interest rates that've increased the overall cost of doing business," he said.

According to analyst Ali Asif of Insight Securities, textile exports have started to show signs of a slowdown amid weak demand. "We expect the country's textile export to remain muted in coming months amid inflationary pressure and higher inventory pileup in exporting countries, followed by expected gas shortages in the winter season," he said in a recent research note.

Proceeds of textile exports dropped 15.2 per cent to $1.3 billion in October on an annual basis. The volumetric decline in exports was 20.6pc over the same period.

The slowdown in the textile sector is also reflected in private-sector credit, which recorded only a "moderate" increase in the first quarter of 2022-23. According to the commentary provided by the central bank in its latest monetary policy announcement, the "deceleration" in private-sector credit was mainly because of a "significant decline in working capital loans to… the textile sector in the wake of lower domestic cotton output".

Earnings of the listed textile companies have already begun to stagnate. Data compiled by Topline Securities showed that the quarterly profits of listed textile firms decreased 2pc year-on-year to Rs12.4bn in the latest three-month period.

Officials of Kohinoor Spinning told an analysts' briefing last week that the company was taking an "extra-cautious" approach to business and would try to save accumulated profits instead of "being speculative in trying to make money".

Source: dawn.com- Dec 15, 2022

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International Safety Accord Expands to Pakistan

After years of pleading and petitioning, Pakistan's garment workers are getting an Accord of their own.

The deal will fall under the auspices of the International Accord for Health and Safety in the Garment Industry, the successor to the Accord on Fire and Building Safety in Bangladesh that emerged from the rubble of the Rana Plaza collapse in 2013.

Modeled after the Bangladesh agreement, Pakistan's version shares its tentpole features, including a legally binding mechanism that mandates time-bound remediation plans once workplace hazards are uncovered.

Moreover, it will hold half of the International Accord's 187 brand signatories that source from Pakistan, including Bestseller, C&A, H&M Group and Zara owner Inditex, to account for conditions at the hundreds of factories and mills from which they contract.

This includes ensuring that those suppliers have the resources to pay for renovations and that their workers have grievance mechanisms to lodge complaints.

"After years of fighting for the expansion of the Accord to Pakistan, our workers can finally be brought under its monitoring and complaint mechanisms," said Nasir Mansoor, general secretary of the National Trade Union Federation Pakistan.

"If enough brands sign, workers will not have to fear for their lives when going to work and will know who to appeal to when their factory is unsafe. The strength of the Accord is in the fact that unions have equal power to corporations in its decision-making."

Pakistani labor campaigners have been calling for change even before the tragedy in Bangladesh claimed 1,134 lives and maimed scores more. For them, the problems hit closer to home: Six months before, Ali Enterprises, a textile factory complex in the city of Karachi, burst into flames, killing more than 250 workers and injuring 60 others. Italian auditing group RINA had just declared the building as "safe."

In the decade since the fire, voluntary auditing systems have continued to fail to protect workers in Pakistan, union leaders say. In a survey of nearly 600 garment workers that the Clean Clothes Campaign commissioned earlier this year, roughly 85 percent reported that they lacked access to properly enclosed stairwells that could deliver them to safety in the event of a fire.

One-fifth of workers said that their workplace lacked fire drills and that they were unaware of emergency escape routes and exits.

More than a dozen incidents in Pakistan's garment factories have resulted in deaths and injuries in 2022 alone, the organization said. In January, a poisonous gas leak killed four workers at a factory that makes jeans for H&M Group and Levi Strauss.

"The responsibility to ensure factory workers in Pakistan are safe when they go to work falls on the brands who source and profit from these factories," Ineke Zeldenrust, international coordinator at the Clean Clothes Campaign, said at the time.

"Brands have the power to lead the way and make changes with the potential to improve the lives of millions of workers by giving them what we should all be entitled to expect—a safe and healthy workplace and the right to be part of the process of making it so."

KiK, the German discount chain that was Ali Enterprise's chief customer, was the first to commit to a Pakistan Accord by signing a Memorandum of Understanding with industry stakeholders, including representatives from labor unions and the Employers' Federation of Pakistan, last week.

Now the question is whether more brands, especially those that allied with rival safety-monitoring body Nirapon over the Accord in Bangladesh, will back the program and make Pakistan a safer place to produce clothes. Even among Accord signatories, discussions over the expansion grew heated at times, though all are expected to be on board.

"The Accord program will bring inspections, safety trainings and a complaint mechanism covering all health and safety issues, including gender-based violence, to workers in Pakistan producing for signatory brands," said Zehra Khan, general secretary of the Home-Based Women Workers' Federation.

"Particular attention will be needed to ensure that women workers, who are often not officially registered and might be working from home, have the same access to this program as other workers."

Textiles make up 60 percent of Pakistan's exports, which dipped by 19 percent on a year-over-year basis to bring in $ 1.4 billion in November, according to data from the All Pakistan Textile Mills Association.

Source: sourcingjournal.com- Dec 14, 2022

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Bangladesh: Apparel hopes to seize summer orders as energy situation eases

The garment industry expects to come out of the effects of the last few months of a slow period in the coming summer with the greatly improved gas and power supply situation in the industrial belt.

Industry leaders say top foreign buyers are making queries, showing interest to place orders and apparel makers are confident that with the improved energy and power situation they would be able to recover in a few months.

"If the sales continue in the current trend, and we get consistent power and gas supply to the factories, the local apparel industry will be on track again by April next year," a leading apparel-maker told The Business Standard.

The Business Standard talked to a dozen local apparel exporters last week and most of them said gas supply to their factories has improved than what it was in July or August this year.

Gas supply to industries in Gazipur's Maona to Mymensingh's Bhaluka belt has improved, according to Md Fazlul Hoque, managing director of Israq Spinning Mills Limited. Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said the supply is now better in some areas of Narayanganj.

Some of the entrepreneurs, however, said the gas supply has not improved much in some areas of Manikganj, Savar, Narayanganj's Araihazar and Gazipur readymade garment hubs.

But the state-owned Petrobangla claims gas crunch to industries is now largely resolved thanks to a number of belt-tightening measures by the government including power rationing and office hour rescheduling. The steps, coupled with a winter-led low power consumption, took off the pressure from gas, letting Petrobangla to prioritise the industrial customers.

"There might be some industrial consumers at the very end of the supply line facing a bit of poor gas pressure. But an entire industrial area should not have any gas issue now," Nazmul Ahsan, chairman of Petrobangla, told The Business Standard on Wednesday.

He said the state-owned company, which explores and supplies fuel and gas, is now supplying 2,700 million cubic feet (mmcf) of gas per day to the national grid – up from 2,600 mmcf in the corresponding period last year.

Nazmul Ahsan said the supply will continue getting better until February next year. "Since our demand for gas will start to edge up from March after the winter is over, we are considering additional imports of LNG [liquefied natural gas]."

Local apparel-makers are heavily dependent on imported cotton – the key raw material for readymade garment items. Making yarn from cotton, manufacturing fabrics and dyeing require massive amounts of power. At smaller private power plants, garment manufacturers generate the electricity from gas to keep the production lines running round the clock.

Big hope, but is it immune to recession?

Clothing and textile production is by far the biggest industry in Bangladesh, which profited from surging sales when the pandemic waned and consumers rushed for shopping to meet pent-up demands.

But apparel orders to the world's largest garment exporter after China had been slowing since July because of Russia's invasion of Ukraine, western sanctions on Moscow and fallouts stemming from rising inflation globally, said entrepreneurs.

In the home front, apparel factories were plagued by rolling blackouts, an unreliable gas pressure and raw material supply crunch as the government had to tighten its belt to protect the fast-depleting forex reserve.

Local apparel industry is the top export earner for Bangladesh. The country exported apparel worth $42 billion in FY22 – which accounted for around 81% of the country's export earnings.

The local and global economic situation portrayed a gloomy outlook for the apparel-makers. According to export data, apparel exports registered a negative growth in September 2022 for the first time in recent years. The outlook returned to the positive track again in October and made a big jump in November.

The local apparel industry makes basic clothing items like shirts, t-shirts, denim pants, womenswear and kid items. According to entrepreneurs, the low-end products are kind of immune to the fear of a global recession.

People would still have to wear garments, even during leaner economic times, according to Commerce Minister Tipu Munshi.

There are a few peak fashion-making and export times – basically centring the winter and summer. Ahead of the summer, Bangladeshi manufacturers usually remain busy in January-April every year.

Even if there is a recession next year, local manufacturers said basic item orders would not tumble much. Besides, they expect to seize some of the work orders shifting from China owing to Washington-Beijing political tensions and Covid rules.

Strong business commitments now pay off

Even during the tight economic situation, local manufacturers showed firm commitment to the delivery deadlines by compromising the profit margin.

In addition to increasing the use of diesel to deal with power situations, some entrepreneurs adopted modern technology at an additional cost. Some continued the production lines by alternative means like burning garment waste and paddy husk to run the boilers.

In the face of the gas and power crunch, local apparel-makers had been accumulating more fashion wastes at spinning and weaving stages. The energy supply allowed only 12-hour production a day. But the entrepreneurs did not give up, Kutubuddin Ahmed, founder of Envoy Textiles, told The Business Standard.

He said this concrete trade confidence will pay off in the upcoming months.

"We are expecting a good order flow in January. We need to fix the energy issues before that," Fazlee Shamim Ehsan, managing director of Fatullah Apparels, told The Business Standard.

What about after April?

From Qatar and Oman under the long-term contracts, Petrobangla currently imports six cargoes of LNG on an average per month. The import, according to energy sources, could be extended to eight from March next year to meet the peak summertime demand.

With the additional LNG and local production, the total gas supply will be around 2900 mmcf in March, said a source at the Energy and Mineral Resource Division.

Apart from long-term LNG imports, the government is also trying to increase LNG supply to the national grid by taking Brunei and Saudi Arabia on board.

Recently, a team from the Energy and Mineral Resources Division toured Brunei to discuss the scopes of importing LNG from the country. Besides, Saudi Arabia is another option for Bangladesh to increase its gas supply.

Source: tbsnews.net- Dec 14, 2022

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NATIONAL NEWS

We are confident of achieving textile export target of USD 100 billion by 2030: Shri Piyush Goyal

Union Minister of Textiles, Consumer Affairs, Food and Public Distribution and Commerce and Industry, Shri Piyush Goyal said that India was confident of achieving textile export target of USD 100 billion by 2030. He was interacting with media persons during the two day' Kashi Tamil Samagam' in Varanasi, Uttar Pradesh today.

The Minister announced that a unique, one of its kind exhibition, 'VIRAASAT' will be organized in New Delhi to celebrate 75 handwoven saris of India.

He said that in the festival 'My Sari My Pride' handwoven saris ranging from Patola, Banarasi, Paithani, Kanjivaram and others will be exhibited. He added that weavers from across the country will participate in the festival which will start from December 16th at Janpath Haat, New Delhi.

Shri Goyal noted the profound connection that Kashi had with Tamil Nadu and said that he is reminded of Dev Deepavali firecrackers burst in Kashi which must have been produced in Sivakasi. Similarly, Tenkashi in Tamil Nadu, which is also known for its massive textile sector, also has a deep connection with Kashi, he added.

“Kashi has a connection with Tamil Nadu. There’s influence of Tamil Nadu on Kashi,” Shri Goyal said during the interaction. He said that about 2000 years ago, people belonging to Chetinad group came to Kashi and are since then, a part of the state.

He added that Textiles Sector delegation from across the country have reached Kashi to participate in the two-day event. He hoped that after meetings and discussions with the participants, a roadmap for the Sector would be prepared.

Source: pib.gov.in- Dec 14, 2022

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Textiles PLI 2.0 likely to attract smaller players by early 2023, say officials

The Textile Ministry is working to finalise the second edition of the Production Linked Incentive (PLI) scheme for garments, made ups and home textiles, with lower minimum investment and turnover requirements to attract small and medium entities, by early next year, officials said.

“The incentives on offer may slightly be lower than what was offered under PLI 1. But the scheme would still be attractive,” an official told businessline.

First edition

The PLI scheme for textiles (first edition), introduced in 2021, is divided into two parts and is available for the production of man-made fibre (MMF) fabrics and apparels as well as technical textiles.

The minimum investment requirement for the first part is ₹300 crore with a minimum turnover requirement of ₹600 crore. Investors are entitled to an incentive of 15 per cent of the minimum turnover in the first year, which is to go down by 1 per cent over the next four years.

Part two requires a minimum investment of ₹100 crore, with a minimum turnover requirement of ₹200 crore. The incentive here is lower at 11 per cent in the first year, which is to be reduced by 1 per cent over the next four years.

Cotton items

“The second edition of the PLI scheme will be available to cotton items also . The minimum investment requirement for getting various levels of incentives is likely to be much lower with three different thresholds of ₹15 crore, ₹30 crore, and ₹45 crore with double turnover requirement,” an industry source said.

As the budget for incentives under the scheme, fixed at ₹10,683 crore, is more than what would be utilised as pay-outs to the 64 short-listed investors, the excess of about ₹4,000 crore is to be utilised as incentives under PLI 2.0

Incentives offered

The incentives offered to manufacturers under PLI 2.0 is still under discussion and likely to be slightly lower than the first edition, the official added.

The Textile Ministry has approved 64 applications under first part of the scheme with a proposed total investment of ₹19,798 crore and a projected turnover of ₹1,93,926 crore.

"Of this, around 32 applicants have already started setting up operations and have brought in about ₹1,500 crore-₹1,700 crore. Some have already started getting orders," the official said.

Source: thehindubusinessline.com- Dec 14, 2022

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India-UK FTA to boost textile production, says Goyal

"Textiles is a sector where margins of even 4-5 per cent are very important to become competitive. With the FTAs, we are insisting that we get duty free access for textiles," Goyal said addressing the media at the National Textile Conclave in Varanasi.

"The UK, for instance, has existing import duties of 9-12% on different items. If that goes away under the India-UK FTA, it will certainly give a big boost to our textile industry," he said.

On the FTAs, India has already signed with the UAE and Australia, the Minister said that the textile sector had assured him that there are immense opportunities for both.

"Our textile industry is clear that they're going to achieve the targets (including $100 billion export target). They're going to become largest creators of jobs and employment and work opportunity," he added.

On the PM Mega Integrated Textile Region and Apparel (PM MITRA) scheme, the Minister said the government was in advanced stages of evaluating the 18 proposals that had been received. "We hope we will be able to finalise them in the near future," he added

The MITRA park seeks to integrate the textile value chain from spinning, weaving, processing/dyeing, printing to garment manufacturing.

Source: thehindubusinessline.com- Dec 14, 2022

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During current cotton season 2022-23, export of cotton is expected to be 40 lakh bales

The Union Minister of State for Textiles, Smt. Darshana Jardosh in a written reply to a question in Lok Sabha today shared that Gujarat, Maharashtra and Telangana are the major cotton producing states which produce about 65% of cotton production in the country.

Statement showing year-wise, state-wise cotton production in the country for the last two years and current year is annexed.

During current cotton season 2022-23, export of cotton is expected to be 40 lakh bales. However, the same may increase or decrease depending on the availability of surplus cotton in the country, overseas demand and price parity.

Looking at the wider interest of the entire cotton value chain, presently export of cotton is under Open General License.

Annexure

State	State-wise Production of Cotton (in Lakh bales)		
	2020-21	2021-22	2022-23 (P)
Maharashtra	101.05	71.18	80.25
Gujarat	72.18	74.82	91.83
Telangana	57.97	60.67	53.25
Rajasthan	32.07	24.81	27.12
Karnataka	23.20	19.50	21.04
Haryana	18.23	13.16	17.21
Andhra Pradesh	16.00	17.08	17.85
Madhya Pradesh	13.38	14.20	15.19
Punjab	10.23	6.47	9.22
Odisha	5.51	6.26	6.82
Tamil Nadu	2.43	3.60	1.87
Others	0.23	0.28	0.26
Total	352.48	312.03	341.91

Source: pib.gov.in- Dec 14, 2022

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Total number of Registered Geographical Indications (GI) rise to 432

India having a diverse culture is home to various arts and crafts mastered by many generations over the years. Adding to the present collection of GIs, 09 new items from various states of India such as Gamosa of Assam, Tandur Redgram of Telangana, RaktseyKarpo Apricot of Ladakh, Alibag White Onion of Maharashtra etc. have been given the coveted GI Tags.

With this the total number of GI Tags of India comes to 432. The top 5 states holding maximum number of GIs are Karnataka, Tamil Nadu, Uttar Pradesh, Karnataka and Kerala.

Several initiatives have been undertaken by DPIIT in collaboration with various stakeholders where exclusive GI products showcased Indian tradition, culture and enterprising activities under a single umbrella:

GI Pavilion (Aahar 2022) at ITPO, New Delhi for five days (26th -30th April 2022), India GI fair (26th-28th Aug 2022) was organized at the India Expo Center and Mart, Greater Noida. A weekly GI Mahotsav was conducted (16th -21st October 2022) at Trade facilitation Center, Varanasi. An exclusive GI pavilion was set up at IITF 2022 which was organized by ITPO from 14th -27th November 2022 at Pragati Maidan, New Delhi.

Further, giving a boost to build up cross-cultural societies within the country, such activities will not only promote the transfer of diverse products amongst the states but will also contribute in building a better vibrant cultural society in the future.

Recently, the Govt. has supported the promotion of GIs by approving an expenditure of Rs. 75 Crores for 03 years for promotion at awareness programmes.

Source: pib.gov.in- Dec 14, 2022

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India's unpredictable export policy can hit farm income, cause an image problem

"In global trade, buyer-seller relationships are built over years of mutual trust, which once broken are hard to be reconciled," says Surendar Singh, Associate Professor at the FORE School of Management. He sees India's credibility as a supplier of agricultural products getting diluted because of export restrictions on agri products.

"Do you think Ukraine will ever be able to recapture the global market share in wheat it lost due to the war? Not in 10 years at least," Singh says. Before the Russian invasion, Ukraine was the sixth-largest wheat exporter in the world.

The associate professor, whose areas of interest include international trade and global value chains, says India's policy stance has been vacillating between export bans, export restrictions, minimum export price and free trade. This line of thinking needs to be reviewed.

The barriers have already depressed the sentiments of exporters and are threatening to even impact growers, experts say.

What are the barriers that have raised the hackles of the stakeholders?

In May 2022, the government restricted the export of raw, refined and white sugar by requiring exporters to seek permission from the Directorate of Sugar. In August 2022, it prohibited the export of maida, wheat, flour, semolina, and wholemeal atta, and in September, the government prohibited the export of broken rice and imposed duty on the export of brown rice and wholly milled rice.

Growing problem in the districts

A research report by the Mumbai-based trade facilitating platform, the MVIRDC WTC, says stakeholders in the agri commodity supply chain in at least 112 districts will be affected because of the restrictions.

The report maps the areas that would be hit. It says wheat, meslin flour, maida, semolina and wholemeal atta are produced in 32 districts — including Gorakhpur, Gondia, Delhi-West, Varanasi, and Bikaner. The restriction on export of broken rice will affect at least 40 districts — including Raipur, East Godavari, Nagpur, Karnal and Sonipat. The report says at least 34 raw sugar districts are also feeling the heat. These include Pune, Satara, Solapur, Bagalkote and Bijnor. Apart from these, related products such as refined sugar and white sugar are shipped from 39 districts — Kachchh , East Godavari, K Kolhapur, Bagalkote, and Ahmednagar. All these regions are now witnessing dwindling fortunes — for growers, exporters and other stakeholders in this business.

The findings of the report by the Mumbai-based industry body concludes that India’s unpredictable farm export policy is going to affect the export performance of 112 districts.

Of the 11,127 (based on 8-digit HS codes) goods exported from India, 1,401 are agriculture and related commodities, according to the report. These include commodities such as dairy, meat, fish, beverages and other processed goods. These 1,401 commodities are exported from 492 districts: the country has about 780 districts.

What is at stake for exporters and growers?

Traders and exporters are of the opinion that the government’s export restrictions go against the spirit of its own ambitious agri export policy document announced in 2018, in which they were assured of a “transparent and consistent” policy.

These abrupt policy changes are going to pull down export consignments by at least 40%, says Rahil Sheikh, MD of MEIR Commodities India, a Mumbai-based agri commodity trading house. “The government's switch-on, switch-off approach towards agri policy is giving a severe blow to our working capital, leaving us with no room to grow. Look at inflationary pressure and transport costs — these are at an-all-time highs. We used to get duty remission on sugar, but that has been shelved now. Sugar export was banned last year also,” he says.

Highlighting the plight of the industry, he points out that wheat and rice exports are prohibited. Maize is also likely to be affected as the government is reportedly considering an export barrier here also. These are discouraging signs for growers.

An official at a big export house in UP's sugar belt says he "clearly sees a 35-45% dip in all major agri exports categories where India is a leading player." Speaking on condition of anonymity, he adds, "Instead of exporting 11 mt of sugar, we are going to see exports of 5-6 mt. Similarly, in rice, it is going to go down from 20 mt to 1.2-1.4 mt. There will be a dip in value as well as tonne terms because of inflationary and forex pressures."

India's sugar exports have been hampered because of policy flip-flops. Exporters and market observers agree that the government had to impose some barriers on shipments of several agri commodities to address rising or impending shortages in essential primary and processed food commodities in the domestic market. But they decry the unpredictability in farm export policy, which also affects farmers.

"We all want stability and certainty in life. The farmer is no different. He already has to deal with variables such as rainfall. The last thing he needs is another variable," says Sheikh, adding that such a situation will discourage people from farming.

Export gains are slipping away

Exporters are particularly peeved that they had worked towards increasing their trade coverage based on what the government had said, but now these efforts would be in vain.

The government had recently started pushing agri exports aggressively. It had become more pronounced when the Ukraine-Russia war started as these two countries together account for about 29% of global wheat exports. When the conflict stopped their exports, it gave a huge trade opportunity for Indian agri exporters to fill the void. In April 2022, Prime Minister Narendra Modi had said during an address that India was ready to supply food stock to the world if the World Trade Organisation agreed.

There were other encouraging signs. Authorities had promoted new export destinations and encouraged government agencies to come up with fairly successful sales pitches. Based on these factors, exporters claim to have taken steps to capture a larger share of the global market. But those efforts are causing them to bleed now, they say.

A big blow came with the ban on wheat exports.

Singh of FORE School of Management says it is surprising that the government first says India can supply food stock to the world amid the Russia-Ukraine war but within weeks, imposes a ban on wheat export. This does not bode well for a country aiming to be an export powerhouse.

All the efforts might amount to nothing now as the export restrictions on wheat and rice are causing great discomfort to farmers, traders, exporters and importers, says Nitin Bansal, director of Mumbai-based Commodities India Private Ltd. “This ban comes at the time when the world is looking at India becoming a global player in wheat and rice exports,” he says, referring to the opportunity that arose because of the Ukraine-Russia war.

Exporters point out that wheat and rice exports were partially banned and export duty increased with immediate effect, giving them no window to clear the inventory lying at various ports.

Agri exporters want a market-driven policy, with limited government interventions, says Sheikh of MEIR Commodities. The government’s arbitrary and unpredictable rule changes have crushed the long-term plans of many traders, he adds.

India’s aim to become a major wheat exporter also received a setback after domestic prices of the commodity began to climb
Queries sent to the Agricultural and Processed Food Products Export Development Authority (APEDA) — the government’s apex body for agri exporters — and the Ministry of Agriculture remained unanswered till the publishing of this story.

India’s reliability under cloud

The Chairman of MVIRDC WTC, Vijay Kalantri, says such policy restrictions reduce the incentive for farmers to grow these products at a commercial scale required to supply to the global market. These policy changes also hurt the image of India as a reliable supplier of these agri commodities, he adds.

The country is a top producer and exporter of several agri commodities. According to the Food and Agriculture Organization (FAO), India is the second-largest producer of rice, wheat, sugarcane, cotton and groundnuts, as well as the second-largest fruit and vegetable producer, accounting for 10.9% and 8.6% of the world fruit and vegetable production, respectively.

In 2021-22, India's export of agriculture and allied commodities stood at $50 billion. Given that the country's total exports make up only 1.8% of global imports, it is only natural that industry stakeholders share the government's optimism of tapping every opportunity to become a global export powerhouse. Hence, the government's actions do not send the right signals, say stakeholders.

India's biggest agricultural export is rice; it contributed to 19% of agriculture exports in 2021-22. The other major exports are sugar, spices and buffalo meat — at 9%, 8% and 7%, respectively — according to a research by the Commerce Ministry's India Brand Equity Foundation.

India's share in world agricultural exports stood at 2.1% in 2019, from 1.7% in 2010. However, India's rank in worldwide agricultural exports slipped to 16 in 2019 from 17 in 2010, according to the World Trade Organization (WTO).

In terms of the share of top ten product exports under APEDA basket, there has not been much change in the last decade even as India's exports reached more countries. The top APEDA exports in share terms in 2020-21 were non-basmati rice (23.22%), basmati rice (19.44%), buffalo meat (15.34%), maize (3.07%) and wheat (2.66%).

The larger picture

On its part, the government had introduced the comprehensive Agriculture Export Policy in December 2018 to grow farm exports from $30 billion to $100 billion. A common view among the exporting fraternity is that the country cannot achieve this ambitious milestone in the face of such instability.

Singh claims it has been empirically established that the domestic prices of agricultural products converge with their global counterparts in the medium to long term. “If the government imposes export restrictions on agriculture products, it should increase the minimum support price of those commodities. This will ensure local wholesale buyers do not depress prices saying export restrictions have led to surplus stocks.”

There are cases where government's interventions are unavoidable. Exporters say even if a pro-market, pro-export policy is not a feasible option, the government should have a stable policy that takes into consideration the interest of all the stakeholders.

Source: economictimes.indiatimes.com- Dec 14, 2022

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Inflation, uncompetitive prices hurting Indian cotton spinners: ICRA

The revenue for ICRA's sample set of spinners had declined by 4% on a YoY basis while the margins were moderated by 950 bps. With pressure on the profitability of companies across different scales, the interest cover for the sample companies also moderated during this period. The impact is steeper for smaller players since large scale companies benefit from cost savings on bulk purchases of raw materials.

For H1 FY2023, inventory levels for most players have come down with the cotton stocks from the previous harvest season getting extinguished and sharp volatility in cotton prices affecting the buying power of spinners.

Unlike the Indian cotton spinners, apparel exporters demonstrated resilience against the macro headwinds. The revenue for ICRA's sample set of apparel exporters improved by 4.5% on a YoY basis. The healthy growth in revenues continued in Q1 FY2023 followed by all-time high revenues registered in FY2022. With recessionary environment in the key export markets affecting discretionary consumer spending leading to lower export sales, most of the sample companies reported a sequential decline in Q2 FY2023.

And with higher raw material prices exerting cost pressures, operating margins remained flat with 180 bps moderation in Q2 FY2023 in comparison to Q2 FY2022 levels for the samples across different scales. With moderation in the profitability for companies across different scales, the interest cover for the sample companies also declined in Q2 FY2023.

The decline is also partially attributable to increased interest cost with debt-funded capex undertaken in H1 FY2023 by most players. For H1 FY2023, inventory levels for most players had reduced. This was in line with the large retailers who focused on reducing inventory due to a weak demand scenario and recessionary pressures in key exporting regions.

Elaborating on this, Mr. Sahil Udani, Assistant Vice-President & Sector Head, Corporate Sector Ratings, ICRA, said: "We expect textile companies to report healthy growth in turnover in FY2023 while the margins are expected to moderate amidst cost pressures.

In Q2 FY2023, revenue and margins dipped for the Indian spinners amidst macro headwinds, while for the apparel segment the revenue and margins remained flat, with recessionary conditions in key markets. Most players (across different scales) reported a decline in inventory levels in Q2 FY2023 after cotton stocks from the previous harvest season started to reduce and cotton prices saw a sharp volatility, resulting in players becoming cautious on buying."

ICRA expects its sample set of spinners to report some moderation in performance in FY2023 from FY2022 levels, while the OPM is expected to be ~10-11% in FY2023. However, the absolute profits are projected to remain healthy, supported by a higher scale of operations, though lower than the FY2022 level.

While for its sample of apparel exporters, the rating agency expects a healthy growth in revenues in FY2023, though with moderate margins of 100-300bps in FY2023 from the levels reported in FY2022. The sector outlook continues to remain Stable.

Source: economictimes.com- Dec 14, 2022

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Explained: Decoding e-rupee and whether India is ready to transact in digital

It was in 2016 that a government panel on digital payments, chaired by former bureaucrat Ratan Watal, first recommended studying the possibility of a central bank-issued and backed digital currency, and testing a proof of concept. However, it was only the popularity of private cryptocurrencies and stablecoins – until their recent crash – that forced the apex bank to speed up the launch of digital currencies.

In October 2021, the central bank proposed an amendment to the Reserve Bank of India Act, 1934, to enhance the scope of the definition of 'bank note' to include currency in digital form to the government.

In her Union Budget speech on February 1, 2022, Finance Minister Nirmala Sitharaman proposed to introduce digital rupee, using blockchain and other technologies, to be issued by the RBI starting 2022-23.

"The amendment in the RBI Act with regard to the CBDC (central bank digital currency), says that currency will also include digital currency. That is the amendment which has been brought. Therefore, in all respects, there is no difference in the eyes of law, and there is no difference in treatment between paper currency and digital currency," said RBI governor Shaktikanta Das on December 7.

What is E-rupee?

From December 1, the RBI has launched a pilot of e-rupee retail in a closed user group with four participating banks — State Bank of India, ICICI Bank, IDFC First Bank and Yes Bank — and several merchants.

E-rupee is the CBDC issued and backed by the RBI that aims to mimic and expand on usage functions of paper currency or physical cash. It will be fundamentally different from the present UPI transactions — sans the direct involvement of banks as transactions will happen through e-wallet. The pilot for retail users follows a similar one launched for wholesale e-rupee transactions in November.

The expected benefits of e-rupee — faster settlement, lower cost of cross-border transactions, reduction in currency printing and distribution costs – are pitted against potential pitfalls including issues of privacy, data integrity, cyberattacks and disruption in deposit functions of the commercial banks.

Currently, it is only a trial restricted to a closed user group of merchants and customers in four cities of New Delhi, Mumbai, Bengaluru, and Bhubaneswar.

Several merchants like petrol pumps and organised retail stores are transacting with select customers that have been provided CBDC wallets in these cities. The scope of the pilot will be expanded gradually to cover more users in different cities.

In due course, the plan is to launch a system wherein CBDC can also work in offline mode. This would help in expanding its scope and scale across the country. Direct benefit transfers by the government can also be done through e-rupee in future.

How is India placed against peers?

Globally, the eNaira in Nigeria, unveiled in October 2021, and the Bahamian sand dollar, debuted in October 2020, are two fully launched CBDCs. China, Singapore, France, Canada, Saudi Arabia, and the United Arab Emirates are among the countries conducting CBDC pilots. There were more than 100 CBDCs in research or development stages.

In the Indian context, the central idea is that in terms of look and feel, usage and features the e-rupee should exactly mirror the functionality that cash offers. That brings into focus a key issue — can e-rupee offer anonymity at par with the cash? Critics have raised doubts.

But discussions with the government and senior RBI officials indicate that the level of anonymity prevalent for cash transactions has to be integral for a full-scale launch of e-rupee. How to achieve that? The jury's still out.

How will RBI ensure anonymity?

There are two possible ways. One is the technology route, where the RBI systems deploy auto-deletion tools that erase transaction records up to a certain extent, let's say INR50,000. Another way could be the government enacting a legislation or providing it through rules that e-rupee transactions up to a limit cannot be stored or probed into. However, the execution manner can be gauged after the experience of the pilot projects, learnings from other countries and technological options being developed.

"One of the reasons cash is still being used in many developed countries to a large extent is that people love privacy, and people love their anonymity. So, for anonymity purposes, currency can be used. How anonymity is to be ensured in the case of a digital currency? The normal understanding is that anything digital leaves a footprint, can have various solutions," RBI deputy governor T Rabi Sankar said on April 7, 2022.

"We are looking at the largely first technological solution. We understand there are technologies possible to do that. So, we can use any one of those. It is also possible to get a legal provision to ensure anonymity. So, what exactly will happen will depend on how things evolve, but anonymity is a basic feature of currency, and we will have to do that…," he added.

Currently, for cash transactions above INR50,000 or more, quoting PAN card details is mandatory, while the tax laws do not allow usage of cash for a single transaction above INR2 lakh. While the INR2 lakh limit may not be applicable for e-rupee, transactions up to INR50,000 per user in e-rupee will be kept anonymous.

How will e-rupee be different from UPI, cryptocurrencies?

To understand this difference, let's first know how e-rupee will work.

E-rupee will be issued in the same denomination as the paper currency. A user with say an account with the ICICI Bank, a participating bank in the pilot, will download the wallet of the same bank and transfer funds into the wallet. Instead of a cash withdrawal, funds have now been loaded onto the wallet as e-rupee. Transactions can be both person to person (P2P) and person to merchant (P2M). So, it will be a wallet-to-wallet transfer between these parties without the bank coming in between. This functionality is also critical to offering anonymity in CBDC transfers.

In UPI transactions, banks act as intermediaries, whereas in e-rupee its direct money transfer from one wallet to another.

"When I use a UPI app, the message goes to my bank, my bank account gets debited, money gets transferred to the recipient, to the receiver's bank, his account gets credited, and he gets a message in his mobile phone. So, there is an intermediation of the bank in that process. In CBDC, just as paper currency, you go to a bank, let us say, you are drawing some INR1,000 currency notes, you keep it in your purse, you go to a shop, you have to pay INR500, you take out INR500 and pay," the RBI governor said.

"Here also, you will draw the digital currency and keep it in your wallet, which will be basically your mobile phone. And when you go and make a payment in a shop or to another individual, it will move from your wallet to his wallet. There is no routing or no intermediation of the bank," he said.

As regards to private cryptocurrencies that are created with decentralisation at their core, the e-rupee will be issued, backed, and controlled by the central bank like any other legal tender. It is a liability of the RBI like other currencies.

What are the key challenges?

The fact that several countries such as Uruguay, Canada, Saudi Arabia and United Arab Emirates have been running CBDC pilots for several years means a full-fledged launch of digital currencies may be easier said than done.

"While a CBDC may have many potential benefits on paper, central banks will first need to determine if there is a compelling case to adopt them, including if there will be sufficient demand. Some have decided there is not, at least for now, and many are still grappling with this question," Andrew Stanley, staff of finance and development at the IMF, wrote in a note on The Ascent of CBDCs in September 2022.

"Additionally, issuing CBDCs comes with risks that central banks need to consider. Users might withdraw too much money from banks all at once to purchase CBDCs, which could trigger a crisis. Central banks will also need to weigh their capacity to manage risks posed by cyberattacks, while also ensuring data privacy and financial integrity," he wrote.

Another risk is that it may not be possible to keep digital rupee transactions completely anonymous, as a trail can always be established for each transaction. The wallet-to-wallet transactions could certainly be anonymous. But when a user transfers money into the wallet or withdraws money from the wallet to his/her bank account, these transactions will reflect in the user's bank statement.

Effect on deposit functions of the commercial banks is another key pitfall, especially if there is wider adoption of CBDCs and consequent withdrawal of funds from the banks into the wallets. This could partially be neutralised by banks offering a sweep-in facility that transfers digital rupees from users' wallets back into their bank accounts by the end of the day.

What is the global experience on CBDCs?

In an encouraging development, the Bank for International Settlements (BIS) and four central banks recently completed a successful pilot of the use of CBDCs by commercial banks for real-value transactions across borders, as part of Project mBridge. Twenty banks in Hong Kong SAR, Thailand, mainland China and the United Arab Emirates used the mBridge platform to conduct 164 payment and foreign-exchange transactions totalling over USD22 million, the BIS said on October 26, 2022.

Project mBridge is aimed at creating a low-cost, regulatory-compliant, and scalable cross-border payment solution with CBDC at its core. It is being designed to operate across different jurisdictions and currencies, to explore the capabilities of distributed ledger technology and the application of CBDC in cross-border payments between commercial banks. Such a system could help two countries, let's say India and Russia – both having their own digital currencies – transact seamlessly without going through SWIFT or other financial networks.

Source: economictimes.com- Dec 14, 2022

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India-China trade jumps thwarting PM Modi's self-reliance drive

India's bilateral trade with China rose by a third in the year to March, throwing a spanner in Prime Minister Narendra Modi's drive to wean the South Asian nation from relying on its larger neighbor for cheap imports and promote a thriving domestic industry.

Total merchandise trade between India and China rose 34% to $115.83 billion in the 12 months to March 2022, according to data from the Commerce Ministry released to parliament last week. Trade between the two nations so far this year — between April and October — stood at $69.04 billion, according to the ministry.

In recent years, Modi's administration has been trying to cut India's reliance on China — the country's biggest source of imports. It imposed curbs on trade and businesses in 2020 amid the deadliest fighting in decades at their disputed Himalayan border.

Despite those curbs, imports from the Asian giant have ballooned, out-pacing exports handily. As such, India's trade deficit with China in the first seven months of the current fiscal at $51.50 billion, the data showed. This compares with a reading of $73.31 billion for the entire fiscal ending March 2022.

Source: economictimes.com- Dec 14, 2022

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Macro headwinds impact performance of textile players across segments in Q2 FY2023

The performance of Indian cotton spinners across different scales moderated in Q2 FY2023 due to inflationary pressures and uncompetitive prices. The revenue for ICRA's sample set of spinners had declined by ~4% on a YoY basis while the margins were moderated by ~950 bps. With pressure on the profitability of companies across different scales, the interest cover for the sample companies also moderated during this period.

The impact is steeper for smaller players since large scale companies benefit from cost savings on bulk purchases of raw materials. For H1 FY2023, inventory levels for most players have come down with the cotton stocks from the previous harvest season getting extinguished and sharp volatility in cotton prices affecting the buying power of spinners.

Unlike the Indian cotton spinners, apparel exporters demonstrated resilience against the macro headwinds. The revenue for ICRA's sample set of apparel exporters improved by ~4.5% on a YoY basis. The healthy growth in revenues continued in Q1 FY2023 followed by all-time high revenues registered in FY2022.

With recessionary environment in the key export markets affecting discretionary consumer spending leading to lower export sales, most of the sample companies reported a sequential decline in Q2 FY2023.

And with higher raw material prices exerting cost pressures, operating margins remained flat with ~180 bps moderation in Q2 FY2023 in comparison to Q2 FY2022 levels for the samples across different scales. With moderation in the profitability for companies across different scales, the interest cover for the sample companies also declined in Q2 FY2023.

The decline is also partially attributable to increased interest cost with debt-funded capex undertaken in H1 FY2023 by most players. For H1 FY2023, inventory levels for most players had reduced. This was in line with the large retailers who focused on reducing inventory due to a weak demand scenario and recessionary pressures in key exporting regions.

Elaborating on this, Sahil Udani, Assistant Vice-President & Sector Head, Corporate Sector Ratings, ICRA, said in a statement: “We expect textile companies to report healthy growth in turnover in FY2023 while the margins are expected to moderate amidst cost pressures. In Q2 FY2023, revenue and margins dipped for the Indian spinners amidst macro headwinds, while for the apparel segment the revenue and margins remained flat, with recessionary conditions in key markets. Most players (across different scales) reported a decline in inventory levels in Q2 FY2023 after cotton stocks from the previous harvest season started to reduce and cotton prices saw a sharp volatility, resulting in players becoming cautious on buying."

ICRA expects its sample set of spinners to report some moderation in performance in FY2023 from FY2022 levels, while the OPM is expected to be ~10-11% in FY2023. However, the absolute profits are projected to remain healthy, supported by a higher scale of operations, though lower than the FY2022 level. While for its sample of apparel exporters, the rating agency expects a healthy growth in revenues in FY2023, though with moderate margins of ~100-300bps in FY2023 from the levels reported in FY2022. The sector outlook continues to remain stable.

Source: economictimes.com- Dec 14, 2022

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Textile players likely to witness healthy turnover in FY23: Report

Even as macro headwinds impact performance of textile players across segments in the second quarter of 2022-23, the companies are expected to witness a healthy turnover in this financial year, Icra said in a report.

Icra said it expects textile companies to report healthy growth in turnover in FY23 while the margins are expected to moderate amidst cost pressures.

"In the second quarter of FY23, revenue and margins dipped for the Indian spinners amidst macro headwinds, while for the apparel segment the revenue and margins remained flat, with recessionary conditions in key markets," Icra Assistant Vice-President and Sector Head, Corporate Sector Ratings, Sahil Udani said.

Most textile players reported a decline in inventory levels in the second quarter of FY23 after cotton stocks from the previous harvest season started to reduce and cotton prices saw a sharp volatility, resulting in players becoming cautious on buying, he added.

According to the report, revenue of spinners had declined by 4 per cent on a year-on-year basis while the margins were moderated by 950 bps.

With pressure on the profitability of companies across different scales, the interest cover also moderated during this period, it stated.

The impact is steeper for smaller players since large scale companies benefit from cost savings on bulk purchases of raw materials, said the report.

For H1 FY23, inventory levels for most players have come down with the cotton stocks from the previous harvest season getting extinguished and sharp volatility in cotton prices affecting the buying power of spinners, it said.

Unlike the Indian cotton spinners, apparel exporters demonstrated resilience against the macro headwinds as their revenue improved by 4.5 per cent on a Y-o-Y basis.

The healthy growth in revenues continued in the first quarter of FY23 followed by all-time high revenues registered in FY22, the report said.

And with higher raw material prices exerting cost pressures, operating margins remained flat with 180 bps moderation in the second quarter of FY23, compared to the same period of the previous fiscal.

With moderation in the profitability, the interest cover also declined in the second quarter of FY23, it noted.

The decline is also partially attributable to increased interest cost with debt-funded capex undertaken in H1 FY23 by most players.

For H1 FY23, inventory levels for most players had reduced as the large retailers focused on reducing inventory due to a weak demand scenario in key exporting regions, it added.

Therefore, Icra expects spinners to report some moderation in performance in FY23 from the previous fiscal, while apparel exporters are likely to have a healthy growth in revenues in 2022-23.

Source: business-standard.com- Dec 14, 2022

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Sustainable trade initiative IDH to partner India in improving farmers' livelihood

IDH, a Netherlands-based sustainable trade initiative, wants to partner the Indian government in improving the livelihood of farmers, particularly small landholders, the organisation's Chief Executive Officer (CEO) Daan Wensing has said.

"This is very much in line with the objectives of the government and other stakeholders across India….IDH is not only working with supply chain companies but also with the financial sector. We have our own impact investment fund that de-risks investments in smallholder agriculture," he told businessline.

Leveraging market

This is done by converting smallholder farmers into an asset class for banks and finance firms to invest in them. IDH, which has been functioning in India since 2009, is an initiative that leverages market power to create better jobs, incomes and environment, besides gender equality.

The Utrecht-based organisation, which is working on about 40 projects across 18 States in spices, textiles, food, tea and coffee, is mainly funded by Governments, particularly the Netherlands.

In India, IDH's objective is to improve the economic status of farmers, ensure their sustainability and provide them with market linkage, said Jagjeet Singh Kandal, Country Director – India, IDH.

"Most of our focus is how will we help the farmer's livelihoods. That's the basis of it. We help the farmer become better at farming and thereby enable him to become certified depending upon which is the market linkage," he said.
Indian journey

IDH began its journey in India working in cotton and tea sectors. It has touched the lives of over a million cotton farmers through its cotton programme and in the tea sector it has developed a sustainable certification programme. It has offices in Delhi, Bhopal, Guwahati, Hyderabad and Bengaluru.

“In cotton, our focus is how we help farmers’ livelihoods. We are working in spices and coffee with Walmart Foundation. We are going into Kodagu area where there is fairly large farming of coffee and spices. Farmers do multi-crops there,” Kandal said.

IDH does not work with one commodity. “We have what we call the landscape approach that looks at larger areas. So it’s about scale. We’re not into small pilot projects anymore. For example, in Madhya Pradesh we are working across 9 districts. We are going to touch 1.2 lakh farmers in cotton, wheat, bajra, soya and other fruits and vegetables,” he said.

The Netherlands-based initiative also looks into what farmers do for three months after their crops are done in nine months. “So, we work on sustainable agriculture with whatever crop the farmer does 12 months a year. We help them get market linkages for all their crops,” the IDH Country Director - India said.

‘Grow Asia’

Wensing said outside of India, IDH has worked in Vietnam along with the World Economic Forum (WEF) in the coffee sector.

“We brought together the international trade and roasters for Vietnamese producers and their government to transform the coffee sector. We also looked at helping the growers when a lot of pesticides that were banned in international markets were used (in that country,” the IDH CEO said.

Apart from coffee, the organisation has helped growers with pepper and vegetables that are inter-cropped with coffee. Today, most of the coffees coming out of Vietnam are certified, he said.

IDH is part of WEF “Grow Asia” platform under which it helps small growers in Indonesia, particularly in palm oil. “We are also trying to connect Malaysia and Indonesia with India, which is a leading import of palm oil,” said Wensing.

Kandal said since India imports 95 per cent of its palm oil demand. “We want the Indian footprint on Indonesia and Malaysia (on sustainability) from where we import to lead to a real positive change in those countries. We need to leverage our footprint as a consumer,” he said.

IDH is looking at what it can do for Indian companies and consumers to drive sustainability. It is also working with the Indian Textile Ministry to look at alternative materials as part of sustainable textiles.

The organisation, which is working in Africa too in partnership with private companies, is happy working with Indian officials and other stakeholders, Wensing said.

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