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IBTEX No. 27 of 2024 **February 12, 2024**

Currency Watch			
USD	EUR	GBP	JPY
83.01	89.42	104.84	0.56

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INTERNATIONAL NEWS

Import cargo volume into major US ports likely to rise in H1 2024: NRF

Inbound cargo volume at major US container ports is expected to see year-on-year (YoY) increases in the first half this year despite attacks on ships in the Red Sea, according to the Global Port Tracker report released recently by the National Retail Federation (NRF) and Hackett Associates. "Only about 12 per cent of US-bound cargo comes through the Suez Canal, but the situation in the Red Sea is bringing volatility and uncertainty that are being felt around the globe," NRF vice president for supply chain and customs policy Jonathan Gold said in a release.

"US retailers are working to mitigate the impact of delays and increased costs. However, the longer the disruptions occur, the bigger impact this could have. More needs to be done among partners and allies to ensure the safety of vessels and crews in order to avoid yet another year of supply chain disruption," he added. Carriers are using a surplus of capacity built up during the pandemic to ease the impact as voyages are diverted around the Cape of Good Hope or to the US West Coast, and improvements are already being observed, Hackett Associates founder Ben Hackett said. "The shipping industry has rapidly adjusted by adding extra vessels to its networks, and has returned to normal weekly ship arrivals," he said.

"Service from Asia to the US East Coast is working well and the dramatic rise in freight rates is showing signs of easing, with pressure from shippers likely to quickly bring these down," he added. US ports covered by Global Port Tracker handled 1.87 million twenty-foot equivalent units (TEU)—one 20-foot container or its equivalent—in December. That was down by 1 per cent month on month (MoM), but up by 8.3 per cent YoY. December's results brought 2023 to 22.3 million TEU—down by 12.8 per cent from 2022.

Ports have not yet reported January's numbers, but the Tracker projected the month at 1.81 million TEU—up by 0.3 per cent YoY. February is forecast at 1.86 million TEU—up by 20.4 per cent YoY, and March at 1.71 million TEU—up by 5.5 per cent YoY. February is traditionally the slowest month because of Lunar New Year factory shutdowns in Asia.

Source: fibre2fashion.com– Feb 07, 2024

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What 'friend-shoring' means for the future of trade

OVER the past few years, the world has experienced an escalating series of trade disruptions: the US-China trade war, the Covid-19 pandemic and its supply chain disruptions, Russia's invasion of Ukraine and the sanctions and export controls that followed.

Their cumulative impact has called into question the vision of a globalised economy. In response, some US officials pushed "friend-shoring" – a happy-sounding name for a policy that would lead to a world divided between free-market democracies and countries that align with the authoritarian regimes of China or Russia.

It's a world in which supply chains could be more robust and less subject to economic blackmail. It's also likely a world that's poorer and less productive.

1. What would friend-shoring do?

Just as offshoring means moving work overseas to where production costs are low, friend-shoring means encouraging companies to shift manufacturing away from authoritarian states and towards allies. The goal is to prevent nations such as China and Russia from leveraging their market advantages in key raw materials (such as "rare earth" minerals and magnets), products (energy, food, fertiliser) or tech-industry inputs to disrupt the US economy.

Friend-shoring can be seen as a less extreme version of "reshoring", or bringing key manufacturing processes back to within your own country's borders. An early test of both strategies has come with electronics manufacturing.

2. What has the US done so far?

Starting under the presidency of Donald Trump, and continuing under President Joe Biden, the US leaned on companies to shift at least some of the hardware supply chain out of China.

Major gadget assemblers have either set up new production or expanded existing sites in other parts of Asia, or turned to eastern Europe or Mexico in what's commonly known as the "China plus one" model.

3. Are companies willing to go along with friend-shoring?

Time will tell. Apple, which wants to reduce dependence on China, started producing some iPhone 14 models in India, and its largest supplier, Foxconn Technology, agreed to expand production facilities in Vietnam. But Bloomberg Intelligence estimated last September that it would take about eight years to move just 10 per cent of Apple's production capacity out of China, where roughly 98 per cent of the company's iPhones have been made.

The US still remains dependent on China for 276 types of critical goods, like certain electronics, textiles, chemicals and metals, according to an October 2022 report by asset manager Allianz.

4. Who would benefit from friend-shoring?

US Treasury Secretary Janet Yellen, during a November 2022 visit, emphasised India's potential to become a more important centre of manufacturing.

Biden, in his recent visit to Vietnam, announced a series of semiconductor, aerospace and infrastructure deals to highlight what he called a "new stage" in the economic relationship between the two countries.

Indonesia, Malaysia, South Korea, Japan, Brazil and European countries also could benefit as plants, jobs and investments move towards nations deemed sufficiently trustworthy by the US.

Diversifying the geographic concentration of global supply chains would also help businesses become more resilient to external shocks like war, famine, political change or the next pandemic.

5. Who would lose out?

The US-led effort is mainly targeted at economic regimes such as China that the US sees as unfairly supporting their domestic industries and at nations that violate international norms, such as Russia. (Many Western companies have already unwound investments in Russia in the wake of its invasion of Ukraine in early 2022.)

The impact of a widespread friend-shoring push would likely be felt even by countries that don't fall into one camp or the other. The World Trade Organization (WTO) estimates that a disintegration of the global economy into separate blocs could reduce global gross domestic product by about 5 per cent over the long term.

This would result in a significantly poorer and less productive planet, with trade back at levels before China joined the WTO in 2001.

6. What happened to globalisation?

Tit-for-tat tariffs imposed by the US and China during Trump's presidency remain in place. Russia's invasion of Ukraine – and China's refusal to condemn it – further undid decades of globalised commerce, as did the sanctions imposed on Russia by the US, the UK and the European Union. The Biden administration has ratcheted up curbs on chip companies' exports to China. And the US and China have formed new commercial alliances that exclude each other. The China-led Regional Comprehensive Economic Partnership (RCEP), which took effect at the start of 2022, is now the world's biggest free-trade area.

The US is forming its own regional partnership, the Indo-Pacific Economic Framework (IPEF). Those are in addition to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which moved ahead after the US pulled out in 2017 from what was then called the Trans-Pacific Partnership, or TPP.

Source: businesstimes.com.sg– Feb 11, 2024

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UK, Ukraine extend tariff-free trade on most goods for 5 more years

UK trade minister Greg Hands and Ukraine's first deputy prime minister and minister for economic development and trade Yuliia Svyrydenko recently signed an agreement to extend tariff-free trade on majority of goods for an additional five years.

The agreement, signed in a virtual ceremony, is aimed at supporting Ukraine's long-term economic recovery from the war with Russia, an official UK government release said.

The United Kingdom was the first country to remove tariffs on all its trade with Ukraine two years ago. The tariff-free trade agreement signed between the two countries in May 2022 was due to expire on March 31 this year.

"The UK will continue to do everything in its power to support Ukraine's fight against Putin's invasion, for as long as is needed," Hands said.

Ukraine has also agreed to match the UK's approach, meaning British businesses can also benefit from tariff-free exports to Ukraine.

The Ukraine Recovery Conference held in London last year strengthened international support for Ukraine and raised over $60 billion towards Ukraine's recovery and reconstruction.

Source: fibre2fashion.com– Feb 08, 2024

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International Trade Groups Call for Maritime Security in Red Sea

More than 100 industry trade associations representing the apparel, retail, energy, agriculture, electronics and medicine sectors have formed a global coalition to safeguard Red Sea commerce.

On Thursday, the American Apparel & Footwear Association (AAFA) and the International Apparel Federation (IAF), along with groups like the National Retail Federation (NRF), the Agricultural Retailers Association, the Taiwan Textile Federation, the African Coalition for Trade, the Brazilian Textile and Apparel Industry Association and the Clothing Manufacturers Association of India released an open letter calling for broader government cooperation to keep the Red Sea, a thoroughfare for 30 percent of global trade, open and safe for cargo transport.

The groups pointed to multinational security initiative Operation Prosperity Guardian, which counts 23 nations as participants, as an example of effective collaboration. The U.S. military-led operation kicked off in December as a means of responding to the Houthi attacks on shipping vessels in the Red Sea and protecting maritime traffic from interference.

Since the rebel attacks began in October, carriers have been diverting shipments once destined to pass through the Suez Canal to other trade routes. More than $80 billion in cargo has been rerouted around Africa's Cape of Good Hope, adding two to three weeks of additional travel time and hundreds of thousands of dollars of additional fuel and labor costs, International Apparel Federation secretary general Matthijs Crietee said. During the Southern Hemisphere's winter months, this workaround becomes a bigger challenge.

"Cooperation among nations is essential to signal the importance of free passage in international waters," he added.

According to the signatories, "shipping lanes on the other side of the world from the Red Sea are beginning to be adversely affected and that global transportation is already strained from reduced access to the drought-ridden Panama Canal." Knock-on effects include port congestion, equipment shortages and heightened freight rates, which the groups believe have exacerbated the effects of lingering inflation.

“It is imperative that governments unite behind a zero-tolerance approach to deter attacks on commercial vessels and seafarers in the Red Sea, and anywhere in the world,” AAFA president and CEO Steve Lamar wrote.

“The prosperity of millions of people who are employed in our industries and in the global maritime industry depends on safe and secure freedom of navigation.”

Source: sourcingjournal.com– Feb 09, 2024

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Italy's retail sales dip slightly in December 2023

The seasonally adjusted index of value sales in Italy underwent a slight decline of 0.1 per cent month-on-month in December 2023, while volume sales saw a more pronounced contraction of 0.5 per cent, according to the latest data released by the Italian National Institute of Statistics (Istat).

In the non-food product category, the year-on-year (YoY) figures for December showed most sectors were facing a downturn in sales value. Notably, the clothing sector reported a marginal YoY decline of 0.1 per cent, and the combined sector of shoes, leather goods, and travel items witnessed a 0.7 per cent YoY drop.

However, the fourth quarter of 2023 brought some positive news, with the overall value of sales increasing by 0.3 per cent compared to the previous quarter, despite the volume of sales decreasing by 0.2 per cent, as per Istat.

December 2023 marked the 33rd consecutive month of YoY sales value growth in the retail trade sector, with a modest rise of 0.3 per cent. In contrast, the volume of sales during the same period experienced a significant fall of 3.2 per cent.

Breaking down the data, large-scale distribution saw an encouraging increase of 1.9 per cent compared with December of the previous year, while small-scale distribution suffered a 1.2 per cent decrease. Non-store retail sales, which include online and mail-order shopping, declined by 3.3 per cent.

Despite the overall decline in physical store volumes, online retail continued to carve out growth, with a 1.1 per cent increase in sales when compared to December 2022.

For the year 2023 as a whole, Italy's retail sector saw a 2.8 per cent increase in the value of sales, which contrasts with a 3.7 per cent fall in the volume of sales when juxtaposed with the data from 2022.

Source: fibre2fashion.com– Feb 11, 2024

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Global e-commerce industry forecast to surpass $3.64 trn in 2024

The global e-commerce sector is expected to continue its growth trajectory in 2024, according to data by AltIndex. The data forecasts a massive $3.64 trillion in revenues, marking a 15.6 per cent increase from the previous year.

Despite the resurgence of in-person shopping, the industry has not only persevered but thrived, boasting a 108 per cent surge in revenue over five years—from $1.52 trillion in 2018 to an estimated $3.15 trillion in 2023.

The fashion segment is expected to contribute approximately $760 billion, representing 20 per cent of the total market revenue, as per a detailed survey by Statista.

Innovations such as artificial intelligence, voice search, augmented reality (AR), virtual reality (VR), and personalized customer service have bridged the gap between online and physical shopping experiences. These advancements have cemented e-commerce as a preferred shopping method for millions globally, further supported by the growing popularity of shopping applications and online stores, as per AltIndex.

Asia, featuring e-commerce heavyweights like Alibaba, AliExpress, JD.com, and Rakuten, dominates the market with anticipated sales of $1.93 trillion, up 16 per cent from the previous year and accounting for over half of global e-commerce revenue.

The US, despite housing Amazon, the world's largest e-commerce entity, trails behind Asia with projected revenues of $930 billion, a 15 per cent YoY increase, forming a quarter of the global total. Europe is set to follow with an expected $600 billion in revenue for 2024.

The e-commerce market is not only growing in terms of revenue but also in its user base. Statista forecasts that 300 million new consumers will join the online shopping sphere this year, pushing the total number to more than 3.4 billion—about 42 per cent of the global population. By 2028, the total number of e-commerce users is predicted to exceed 4.6 billion.

Source: fibre2fashion.com– Feb 10, 2024

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China's logistics sector sees $1.86 trn revenue in 2023, 3.9% rise YoY

The logistics sector in China witnessed steady revenue growth last year, according to the China Federation of Logistics and Purchasing.

Revenue worth 13.2 trillion yuan ($1.86 trillion) was generated by the industry in 2023—a rise of 3.9 per cent year on year (YoY).

Efficiency of the country's logistics sector continued to improve last year as well. The ratio of social logistics costs to the gross domestic product was 14.4 per cent in 2023—down 0.3 percentage points YoY.

Concrete progress was achieved in the construction of logistics infrastructure. Investment in logistics-related fixed assets like transportation, warehousing and postal services increased by over 10 per cent YoY last year, a state-controlled media outlet reported.

Source: fibre2fashion.com– Feb 11, 2024

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Turkiye's industrial production rises 1.6% YoY, 2.4% MoM in Dec 2023

Turkiye’s industrial production increased by 1.6 per cent year on year (YoY) in December last year, according to the Turkish Statistical Institute (Turkstat). The index for manufacturing increased by 2.1 per cent and the one for electricity, gas, steam and air conditioning supply increased by 4.5 per cent YoY in the month.

Industrial production in the country increased by 2.4 per cent month on month (MoM). The manufacturing index increased by 2.9 per cent MoM and the electricity, gas, steam and air conditioning supply index decreased by 0.1 per cent MoM in the month.

The energy index increased by 1.7 per cent YoY and decreased by 0.3 per cent MoM in the month.

Source: fibre2fashion.com– Feb 11, 2024

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Cotton Australia optimistic about this year's spray drift season

Cotton Australia (CA) is cautiously optimistic that this year's spray drift season may not be as damaging as last season with fewer reports of drift events and high levels of engagement with tools including SataCrop and WAND towers.

Doug McCollum, policy officer R&D and stewardship said he is aware of around 20 reports of spray drift events impacting cotton communities, but wide-spread crop damage has not been evident at this stage.

CA's education and awareness campaign, along with campaigns from the wider cotton and grains industries, are one possible reason for this improvement. Despite the positive outcomes overall, some regions have still reported significant damage from spray drift, CA said in a press release.

"It is important that the cotton industry remain vigilant because the goal is to reduce the incidence of damaging drift to zero."

This season CA launched its new reporting app, based on the SnapSendSolve platform. The app aims to make it easier for growers and agronomists to report spray drift incidents, track where the main issues are, and provides an opportunity to report those cases through to the relevant state authorities for investigation.

"Growers should be comfortable knowing that their confidentiality will be maintained if they make a report. Individual data will not be disclosed to the authorities unless the grower specifically asks us to report it to state compliance authorities," McCollum said.

McCollum is urging growers to report all incidents so that the full extent of spray drift damage can be understood.

Source: fibre2fashion.com– Feb 09, 2024

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Bangladesh's apparel export to USA dips over 25% in 2023

Bangladesh's apparel export to USA dips over 25% in 2023 Bangladesh's apparel shipments to the United States, its single largest export destination in 2023, declined 25% year on year to $7.29 billion due to high inflation caused by the ongoing Russia-Ukraine war.

Bangladesh's apparel exports to the US was $9.72 billion in 2022, according to the US Department of Commerce's Office of Textiles and Apparel (Otexa) data.

The data also mentioned that the country's overall apparel imports also declined 22.04 % year on year to $77.84 billion, while the import value was $99.86 billion a year ago.

In terms of volume, Bangladesh RMG export to the USA in 2023 also plunged about 28% to 2.25 billion square metres from 3.13 billion square metres in 2022, according to the Otexa data.

Talking to The Business Standard, Bangladesh Garment Manufacturers and Exporters Association President Faruque Hassan said that the global apparel market was very volatile in 2023 as every country has reduced their imports due to high inflation driven by the Russia-Ukraine war.

He said that the largest apparel importer country - the US - also decreased their consumption due to the high inflation in 2023.

He said Bangladesh was not the only country which experienced negative growth in apparel export to the US market; every exporting country had the same experience in 2023.

The BGMEA president hoped that this market will be better in the coming days.

He also mentioned that the US inflation and interest would be stable, which may help the market rebound in coming months.

The share of Bangladeshi apparel in the US market was about 10% in in 2022, while it fell to 9.37% last year.

However, Bangladesh's position remained unchanged as the third-largest apparel exporter to the US market after China and Vietnam, which occupied their positions with 20.96% and 18.21% share respectively.

The OTEXA data showed, in 2023, Chinese apparel export to the USA fell 10.83% to $16.32 billion from $21.75 billion a year ago.

Vietnam and India's apparel exports in 2023 decreased 22.29% and 21.42% respectively.

Indonesia and Cambodia's apparel export to the United States fell 25.19% and 23.58% respectively in the year.

Source: tbsnews.net– Feb 10, 2024

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Airfreight rates in Bangladesh increase substantially

Over the past month, airfreight rates in Bangladesh have nearly doubled, driven by a surge in volumes and capacity constraints.

Stakeholders report that Dhaka's market now heavily relies on shipments via air, leading to steep increases in rates. For instance, Bangladesh-Europe rates have spiked to $3.50 per kg, up from $2 in December, while rates to the US have surged to $4.50/kg from $3.

Freight forwarders attribute the heightened demand to various factors, including the end of the season, congestion at transit points due to the Chinese New Year holiday, and delays caused by the Red Sea crisis.

These disruptions have led to significant delays in shipping, prompting exporters to turn to air transport to meet the deadlines.

Data revealed a substantial increase in cargo airlifted through Dhaka Airport, with shipments destined for the US, Europe, Turkiye, and Egypt.

To ensure timely market delivery, garment manufacturer Tusuka, for instance, reportedly opted to airlift 386,000 pieces of apparel to the US and EU in January.

Nasir Ahmed Khan, director of the Bangladesh Freight Forwarders Association, noted that extended ocean transit times have incentivised buyers to expedite the shipment of end-of-season goods via air.

This surge in demand has also impacted freight rates from Dhaka to other destinations.

Meanwhile, vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Shahidullah Azim highlighted that buyers now face additional delays of two to three weeks due to ships rerouting to avoid the Red Sea crisis.

Consequently, many exporters are compelled to resort to airfreight to meet delivery deadlines.

Source: fibre2fashion.com– Feb 10, 2024

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Pakistan: Textile exports see increase after posting decline

Textile exports increased 6% to $1.4 billion in December 2023, indicating a 'notable' improvement from Decem-ber 2022 when exports stood at $1.35 billion, according to the Bureau of Sta-tistics. The positive momentum con-tinued from November 2023, where textile exports totalled $1.319 billion, showcasing a steady upward trend in the sector's performance towards the end of the year.

However, textile exports dropped by 5% from July to December of the cur-rent fiscal year (FY24). "Despite this promising growth in December, the overall performance of the textile sec-tor during the first half of the current fiscal year (July-December) has pre-sented a challenge. This cumulative decrease over the six months raises concerns about the sector's ability to meet the ambitious government target of $25 billion for textile exports in the entire financial year (FY24)," said an expert from All Pakistan Textile Mills Association (APTMA).

Wishing anonymity, he maintained: "The textile industry holds significant importance in Pakistan's economy, and its performance is closely moni-tored as it contributes substantially to the country's export revenue and em-ployment generation."

The expert, however, said the in-crease in textile exports in December was undoubtedly a positive signal, re-flecting the resilience of the textile in-dustry in Pakistan. "However, the chal-lenges faced by the textile industry in the first half of the fiscal year (FY24) cannot be overlooked."

"To fully grasp the impact of this growth, as well as the decline in the preceding months, we must consider both internal and external factors. Globally, economic uncertainties driven by geopolitical tensions and demand fluctuations have likely impacted the first half of the fiscal year, potentially leading to decreased consumer confi-dence and shifts in trade dynamics.

It is vital for Pakistan's textile sector to closely monitor global trends, promptly adapt to evolving market demands, and bolster its competitiveness on the glob-al stage," he stressed. Additionally, the expert maintained that internally, chal-lenges such as energy shortages and regulatory hurdles had plagued the tex-tile industry.

“Addressing these issues is crucial for sustaining positive growth. Implementing comprehensive energy solutions, streamlining bureaucratic processes, and providing the necessary infrastructural support can significant-ly enhance the sector’s efficiency and overall performance,” he added.

The textile sector expert called for collaborative efforts between the government, industry stakeholders and associations to create a favour-able business environment in the country. “Strategic investments in re-search, development and technology will enhance the textile industry’s capabilities, aligning it with evolving consumer expectations and interna-tional standards.”

Source: nation.com.pk – Feb 11, 2024

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NATIONAL NEWS

PLI textiles: Govt considering adding more items, extending gestation period

The Government is considering expansion of the Production Linked Incentive (PLI) scheme for textiles, which has a corpus of ₹10,683 crore, to include more items of manmade fibre (MMF) garments & fabrics to make it easier for investors to meet the turnover and investment norms, sources have said.

The gestation period for setting up operations, currently fixed at two years, may also be shifted by one year to give investors three years time to start operations.

"The recommendations for making the PLI scheme for textiles more liberal with the inclusion of at least 30 additional items by expanding the HSN code coverage and a one-year extension of gestation period have been made by the Textile Ministry and are part of the PLI recommendations compiled by DPIIT for consideration of the Cabinet," the source added.

Stakeholder consultation

The Department for Promotion of Industry and Internal Trade (DPIIT), which is the nodal Department for the ₹1.97 lakh crore PLI scheme covering 14 sectors, recently held a stakeholder consultation with the industry and government departments to discuss how the scheme could be made to deliver results better and faster.

"The DPIIT has put together all reasonable recommendations put forward by line Ministries and Departments on PLI scheme for all 14 sectors and would seek Cabinet's approval on everyone's behalf," the source said.

The Textile Ministry has recommended that some MMF items that have been left out of the scheme due to some classification issues, such as T-shirts and some products of both men's and women's wear, should be included. "The items that were left out because of HSN classification issues are more than 30. Hopefully these would be included," the source added.

Investor concerns

Also important is the demand that an additional year of gestation period be given to investors. “The industry has been demanding that because of geo-political problems, the gestation period should be shifted by one year and the end period for the scheme should be 2030-31 instead of 2029-30. The years for making claims would, however, stay unchanged at 5 years,” the source pointed out.

The PLI scheme for textiles, implemented in September 2021, covered MMF (manmade fibre) apparels, MMF fabric and technical textiles items. The minimum investment criteria was ₹100 crore and ₹300 crore, for the two parts of the scheme, while minimum turnover criteria were ₹200 crore and ₹400 crore.

As the Ministry was able to select just 64 candidates the first time round and was left with an anticipated surplus outlay of over ₹4,300 crore, the window for applications was opened again last year but the terms of the scheme remained the same.

The PLI scheme covering sectors such as large-scale electronics manufacturing, pharmaceuticals, telecom, food processing, white goods, solar PV modules, ACC batteries, textiles, drones and speciality steel was launched to create national manufacturing champions, generate 60 lakh new jobs, and incremental revenue of ₹30 lakh crore over 5 years.

Source: thehindubusinessline.com– Feb 09, 2024

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Red Sea crisis may raise freight and forwarding cost by 25-30%: Report

Sustained disruptions in the Red Sea route is likely to raise the freight and forwarding (F&F) cost by 25-30 per cent for corporates largely dealing in international trade, a report said on Friday.

Moreover, the working capital cycle is likely to aggravate by 15-20 days, and the impact could be higher for sectors such as agriculture and textiles, credit

Working capital cycle refers to the period between payments made to suppliers and revenue received from sales.

The report also said that pressures on cash flow, although moderate for large entities, will further increase borrowings, especially for sectors such as iron and steel, auto and auto ancillaries, chemicals and textiles, which have seen a year-on-year rise in net leverage in the first half of the current fiscal.

"The challenge is significant for the entities having low value addition therefore thin margins. Although large entities have adequate elbow room to accommodate such incremental cost, delays and disruptions in supply chains will be key factors to watch for," said Soumyajit Niyogi, Director, Core Analytical Group, Ind-Ra.

For medium-sized entities, he said, the challenge is two-fold, both cost and supply, and consequently on working capital cycle.

"These entities have not benefited much from the softening of commodity prices, as free cash flow has remained sluggish for most of them," he stated.

The initial reaction can be seen in freight rates rising by 150 per cent in the past 45 days, the rating agency said.

The route constituted 40 per cent of the total oil imports and 24 per cent of the total exports during April to October 2023, it said.

Major shipping lines have rerouted vessels around the Cape of Good Hope, which has increased time and costs, impacting both exports and imports, as per the report.

This detour adds 12-15 days to voyages on a business as-usual basis; however, there could be a further delay owing to any sudden operational challenges, it said.

This detour is directly translating to a higher operational cost, along with freight and insurance and intermittent disruptions on account of ship size and cost dynamics. Although these disruptions have historically been short lived, a swift resolution seems improbable given the geopolitical standing, Ind-Ra said.

Source: business-standard.com– Feb 09, 2024

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FTA with Peru to help India expand foot-print in LatAm

The sixth round of negotiations for the India-Peru Free Trade Agreement (FTA), will begin next week in Lima, with India expecting the comprehensive pact to help expand its foot-print in Latin America, but increased market access for gold is likely to emerge as a tricky area, as per research body, Global Trade and Research Initiative (GTRI)

“After tariff concessions under the India-UAE Free Trade Agreement, gold imports from the UAE, India’s second-largest gold supplier, doubled in the calendar year 2023, compared to 2022.

Peru, the fifth-largest supplier to India, could see a similar surge in gold imports, if the right concessions are made,” a GTRI paper on India’s FTA negotiations with Peru pointed out.

Gold is the single biggest item for import from Peru for India. In FY23, the yellow metal accounted for $1.8 billion or 80 per cent of India’s imports from the country, the paper noted.

India, at present, imposes a 10 per cent basic customs duty on gold and even small tariff concessions could lead to a significant increase in imports. This is because, it is a high-value product with low volume, it added.

New Delhi will thus, need to negotiate nimbly on gold, as Peru is likely to persuade the country to offer import duty cuts. The sixth round is to begin on February 12.

India already has limited trade pacts (Preferential Trade Agreements) with Chile and the Mercosur bloc (Argentina, Brazil, Uruguay, Paraguay), but the proposed India-Peru FTA, will be India’s first comprehensive FTA in the region.

While the pacts with Chile and Mercosur primarily included tariff concessions on selected goods, the India-Peru FTA has a broader scope and also includes services. “This move underlines India’s strategic interest in expanding its trade footprint in Latin America, leveraging Peru as a pivotal partner in this endeavour,” the GTRI paper stated.

Bilateral trade between India and Peru has been steadily growing, according to the Commerce Department.

During FY 2022-23, the bilateral trade volume reached $3.12 billion. India exported goods worth $865.91 million to Peru and imported goods valued at $2.25 billion from the country, as per government data. Key Indian exports to Peru include motor vehicles/cars, cotton yarn and pharmaceuticals, while Peru primarily exports gold, copper ores and concentrates.

The proposed India-Peru FTA includes chapters such as Rules of Origin, Trade in Goods, Customs Procedures and Trade Facilitation, Technical Barriers to Trade, Sanitary and Phytosanitary Measures, General and Security Exceptions, Cooperation, Legal and Institutional Issues, Dispute Settlement, Services, Movement of Natural Persons, Trade Remedies and Investment.

Source: thehindubusinessline.com– Feb 11, 2024

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Companies and vendors are trying to escape the impact of an Income Tax law taking effect this year

Many big and small businesses are playing a cat-and-mouse game, some are taking an aggressive stance, while most are waiting it out, knocking on the government's doors, as a well-meaning, yet unsettling, law aims to move the wheels of commerce faster.

Under the law --- section 43B(h) of the Income Tax Act --- whose impact would be felt for the first time this year, a business entity failing to pay its vendors registered as `micro' or 'small' (MSE) within 45 of delivery, would not get the deduction of its purchase in the year of the purchase but can claim the deduction only in the year of 'actual payment'. Thus, deduction disallowance for unpaid outstanding would increase the taxable income and tax of companies for FY24.

In grappling with the new statute, companies and vendors are trying to escape its impact in different ways --- some of which may not later stand the scrutiny of the auditors and tax office.

Tacit deals with vendors

For instance, many companies are sending registered letters to vendors asking them if they are classified as MSEs with a tacit understanding that the latter would not respond. In the absence of a response, the vendor is not considered as a government registered MSE and the purchases are treated as deductible.

"Some companies are issuing cheques to suppliers and showing the payment in the books with the understanding that the suppliers would deposit the cheques only on the agreed dates. There are those who are raising an objection within 15 days from the delivery of goods, in which case the payment obligation would arise only when the issue is resolved.

Large buyers are also telling the micro/small suppliers to surrender the MSME registration which would make the entire MSMED Act no more applicable on transactions between them," said Manish Dafria, a senior chartered accountant based in Indore.

Indeed, a large southern association has advised micro and small enterprises (MSEs) that since it's not possible to pay within 45 days, the suppliers should either cancel their registration or immediately reclassify themselves to "trading" from "manufacturing" entities --- as wholesale and retail traders, say many tax practitioners, are not eligible for this benefit. The association has also conveyed that its members are planning to return all goods for which payments cannot be made within 45 days and may stop further purchases from MSEs. It feels that the government should not meddle in to re-define business relationships which are "based on trust and honour."

Knocking on the government's doors

The law was passed by the government to lessen the plight of small businesses who are paid 60 to 180 days after the delivery of goods and services. "The law should allow deduction on expenditures as long payments are made before the filing of the IT returns, which is October 31 for corporates. Today, this is allowed for other items but not for SME payments. The transition to a strict 45 days payment schedule would take time and the impact would be felt the most in the financial year ending 31st March 2024," said Gautam Nayak, partner at CNK & Associates, a tax and audit firm.

In partially softening the blow to big buyers from the change in the tax law, some vendors are 'voluntarily' giving up their claims on interest applicable for delayed payment. However, some practitioners think this may not work out, thanks to the provisions of the MSME Development Act. Non-payment to registered MSMEs results in payment of interest which is triple the RBI bank rate.

"But enforcement is not consistently strict. Companies receiving goods/services from MSMEs with payments exceeding 45 days and failing to file MSME-1 to the ministry of corporate affairs face penalties. Suppliers can also file delayed payment claims against buyers, but most MSMEs hesitate due to potential impact on future relationships," said Paras Savla, partner at KPB & Associates, a CA firm.

Last week, a leading industry association from Surat met finance minister Nirmala Sitharaman to put across the problems generated by the new law. Maharashtra business bodies have made representations to Narayan Rane, the minister of micro, small and medium enterprises. Some of the trade organisations have requested deferring the law by a year and fixing the payment period to at least 60 days.

What has rattled the industry is the question mark that the law puts on the way businesses have happened for ages. According to Anurag Poddar, who represents multiple trade associations, "Ideally, the government should not be laying down the payment terms. These are commercial deals between businesses and vendors.

What the law should probably say is that if a MS supplier is not paid within say 15 days of the agreed payment period, such expenditure would be disallowed. But 45 days is too short in the Indian environment. After all, even exporters get 180 days to bring in their proceeds...There is a risk that business could shift from MSEs, and thus end up harming rather than benefiting them."

Source: economictimes.com– Feb 11, 2024

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India slips from 2nd to 6th position in textile exports: Industry data

Coimbatore: The industry has expressed concern that India, which was the 2nd largest exporter of textile products 10 years ago, has now fallen to the 6th position. After agriculture, the textile industry is the largest employment sector in India.

All the companies in the entire textile chain have been severely affected due to various reasons including lack of stability in the prices of key raw materials like cotton, and pressure on synthetic fibers imported from foreign countries in the name of quality control.

As this situation continues for many years, it has been reported that India has been pushed from the 2nd position to the 6th position in the export of textile products. China is at the first place, Bangladesh at the 2nd place, Vietnam at the 3rd place, Italy at the 4th place, Germany at the 5th place and India at the 6th place. 7th, 8th, 9th and 10th places are Turkey, USA, Spain and Netherlands respectively.

Industry experts have said that there are various reasons why India continues to face setbacks in the development of the textile industry.

In this regard, Dr. Sundararaman, President of the South Indian Panchalayal Association (SAIMA), and Rajkumar, former President of the Confederation of Indian Textile Industries (CITI), told the reporter of 'Hindu Tamil Vektik':

The central and state governments are continuously implementing various schemes for the development of the Indian textile industry. However, all the companies in the textile industry chain have been affected due to various reasons including the price of raw materials.

While India used to export about 120 million kg of yarn on an average every month, the yarn export decreased significantly to 30 to 50 million kg for a few months starting from April 2022.

Monthly yarn exports were close to 120 million kg a few months ago, but have now dipped below 100 million kg.

In today's environment, there should be 200 million kg of yarn export every month. Instability in prices of key raw materials like cotton is the main reason why Indian textile exports have suffered.

Apart from this, stringent conditions have been imposed in the name of quality control to import synthetic fibers from foreign countries into India.

On the other hand, taking advantage of India's concessions to Bangladesh, China is increasingly sending textiles through Bangladesh to the Indian market. While quality control has been imposed on synthetic fibres, the quality of such imported Chinese textiles should also be scrutinized.

The 11 percent import duty imposed on cotton should be completely abolished for the Indian textile industry to grow again.

A duty-free trade agreement with European countries and the UK should be implemented as soon as possible. The central government should already take steps to implement these agreements and take steps to conclude the agreements as soon as they are in the final stage. Quality restrictions on synthetic fibers should be relaxed. They said this.

Source: morningexpress.in– Feb 10, 2024

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CAIT urges CCI intervention against e-comm giants Amazon, Flipkart

Retail traders' body Confederation of All India Traders (CAIT) has written to the Competition Watchdog, seeking urgent steps in the long-pending Delhi Vyapar Mahasangh case involving the anti-competitive practices of Flipkart and Amazon.

"The Competition Commission of India (CCI) must attach utmost priority to the case and pass final penalty order and direction to Flipkart and Amazon to stop their illegal activities, as the outcome of the case has a serious bearing on the survival of lakhs of retailers and their families," said the CAIT letter from its National General Secretary Praveen Khandelwal to the CCI chief Ravneet Kaur. Delhi Vyapar Mahasangh had, in November 2019, filed a case against Flipkart and Amazon, alleging that they are indulging in serious anti-competitive practices that led to closure of business of lakhs of its members who used to earn their livelihood through retail business.

These foreign entities (Flipkart and Amazon) have indulged in monopolisation of sales of mobile phones through exclusive launch, said the CAIT letter. Some entities/ sellers were created just for the purpose of invoicing with the sole aim to sell the inventory of the Flipkart/ Amazon in the name of such entities/ sellers, said the CAIT letter.

Their business model is so distorted that almost all the sales on these platforms is done by their own sellers and the millions of other sellers registered on their platforms are just to show that they are operating an e-commerce marketplace, CAIT letter said. Passage of every month would mean allowing the anti-competitive practices to the tune of ₹ 25000 crore by Flipkart and Amazon and a corresponding loss of livelihood of retailers and small traders, according to CAIT.

Using their might, both Flipkart and Amazon stalled the investigation for more than 20 months by filing frivolous litigations, said CAIT. "We recently learnt that the investigation in the case has already been completed and the report has been submitted", CAIT letter added.

Source: thehindubusinessline.com– Feb 11, 2024

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