Cotton Market

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

<table>
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<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>19696</td>
<td>41200</td>
<td>81.13</td>
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Domestic Futures Price (Ex. Gin), July

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>20170</td>
<td>42191</td>
<td>83.09</td>
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International Futures Price

NY ICE USD Cents/lb (Dec 2017) | 68.97
ZCE Cotton: Yuan/MT (Sept 2017) | 15,625
ZCE Cotton: USD Cents/lb | 83.06

Cotlook A Index – Physical | 83

Cotton & currency guide:

The ICE cotton has rebounded sharply on Monday with no major reasons cited. Except that we could connect the logic 66 cents is a strong support that has pushed the cotton price higher. The rise was quite excessive and this morning on Tuesday at early Asian session is seen trading at 68 cents/lb for December future. We believe the gains are temporary and no major reasons for being bullish. However certain minor reasons are being cited about the relatively poor coverage of weekend rainfall in West Texas, coupled with reports that some of the moisture that was received was accompanied by damaging winds and hail.

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Currency Guide:

Indian rupee trades little changed near 64.3 levels against the US dollar. Weighing on US dollar is Fed uncertainty and concerns about Trump administration amid waning support for healthcare bill. Rupee is also supported by reports of higher investor inflows. As per data, overseas investors raised holdings of rupee-denominated government and corporate debt by 3.3b rupees on Friday. However, weighing on rupee is choppiness in global equity market. Rupee may trade in a range of 64.2-64.5 amid mixed cues but bias remains firm.

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

India-China trade balance agreement a non-starter after 3 years

While the trade deficit with China continues to balloon to over $51.09 billion, next month will mark the third anniversary of India signing an agreement for achieving bilateral trade balance by 2019.

The five-year programme for economic and trade cooperation is a joint medium-term road map for promoting trade and investments, signed between the nations in September 2014.

“While it is broad-based, it acknowledges the pitfalls of one-way trade,” an official said.

The agreement also seeks easing of restrictions by the Chinese government against export items such as bovine meat, fruit and vegetables, and basmati rice. Of these, only basmati rice has seen a breakthrough with 14 firms allowed to export to China last year.

However, since the agreement was non-binding, the scope of deliberations with regard to reducing the trade deficit depended significantly on the presence of a free environment for discussion, the official added.

The Indian and Chinese armies are in a stand-off in the Doklam plateau of Bhutan. Commerce department officials said chances of conclusive talks on trade issues were slim in the near future.

However, the government is throwing its weight behind a long-term plan of revising the export basket to China. Raw materials like cotton, iron ore and copper, which have been a hallmark of Indian exports to China, have come under increasing scrutiny as the government and exporters try to shift priorities towards value-added products.

Commerce Minister Nirmala Sitharaman had earlier said the export focus should shift away from raw materials. The ministry has identified hardware, electronics, pharmaceuticals, textiles and automobile components.
A revised export basket to China has the potential of boosting export earnings and bridging the trade deficit, which swelled to $61 billion in 2015-16.

China is expected to relinquish its dominance over the labour-intensive and low-end manufacturing in the near future. Industries in India are closely following this development. “We are looking to harness our strengths in labour-intensive sectors where India enjoys a significant advantage over other developing nations,” a commerce ministry official said.

The top five export categories to China are all inputs used by Chinese companies to manufacture goods for re-export, including to India. In 2016-17, India’s highest export earners were iron ore, cotton and organic chemicals, worth $1.43 billion, $1.34 billion and $886.96 million, respectively.

These, along with other raw materials like copper, constituted for more than 70 per cent of India’s exports to China, said Ajay Sahai, director general, Federation of Indian Exports Organisations “However, the trend is slowly changing. Cotton is increasingly being imported from China and manufactured yarn exported back,” he added.

Trade in hardware, electronics and renewable energy has the potential to expand greatly, according to Sachin Chaturvedi, director-general of the Research and Information System for Developing Countries (RIS), a think tank under the external affairs ministry. India imports products much higher on the value chain from China with electrical machinery topping the list at $21.98 billion, organic chemicals at $5.61 billion and plastic articles at $1.8 billion.

Source: business-standard.com- July 18, 2017

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Pakistan: Pak, Thailand FTA to be signed on Aug 22

Pakistan and Thailand Free Trade Agreement (FTA) will be signed on August 22, for enhancing the bilateral trade between two countries. The 8th round on FTA negotiation would start between Pakistan and Thailand in end of this month, which discusses on the text of agreement, tariff reduction modality, request list by the both sides and under preparation offers list was also in negotiation, he official said. He said Thailand had comparative advantage in around 1000 commodities, chiefly electrical and electronic appliances, machinery and components and automobiles and parts.

He said similarly Pakistan had relative advantages in some 684 commodities including cotton yarn and woven textiles, readymade garments, leather products, surgical instruments and sports goods. While Talking about the FTA with China, the official said, 8th round of negotiation on Phase-II of the FTA with China to be held on September 13-14

Source: pakobserver.ne- July 18, 2017

Deal paves way for direct Bangladesh-China services

Bangladesh and China are laying the groundwork for direct container services between Kunming and Pangaon Inland Container Terminal (PICT), a move that would give shippers of both countries cheaper and faster transits than moving goods through Colombo and Singapore.

Bangladesh’s exports to and imports from China at present arrive via feeder vessels from Singapore or Colombo to the ports of Chittagong or Mongla. The deal will enable priority berthing of vessels and cut ship turnaround time, reducing lead time for exporters, according to a source in the Department of Shipping.

“The coastal shipping deal will reduce cost as well as time. To us, time is also money,” said Mahmudur Rahman, director for Bangladesh China Chamber of Commerce and Industry.
“We welcome the deal,” said Rahman, who is also managing director of Zaheen Spinning Mills, an importer of machinery and equipment. He plans to begin importing hand bags, school bags, and other products from China, an effort he said would benefit from the coastal shipping deal.

The PICT is in Keraniganj, a Dhaka suburb, and was inaugurated in November 2013 with the aim of transporting containers to and from the port of Chittagong via river rather than congested roadways. PICT has storage capacity of 3,500 TEU in its 55,000-square-meter container yard, and handles 116,000 TEU annually. There are plans to gradually raise annual capacity to 160,000 TEU.

PICT is on a 180-meter-long (about 590.5 feet), 26-meter-wide jetty that can handle two ships of 70 to 75 meters at berth simultaneously. The terminal has one mobile harbor crane, two straddle carriers, four forklifts, two tractor trailers, and two cargo-lifting cranes.

Bangladesh’s exports to China increased by 17.5 percent year over year to $949.4 million from $808.1 million in fiscal year 2016 to 2017 a year back, according to the Export Promotion Bureau. China exports nearly $9 billion in goods to Bangladesh.

Bangladesh mainly exports woven garments, knitwear, home textiles, agri-products, frozen food, leather and leather products, footwear, raw jute, jute goods, and bicycles. IHS Markit expects that total merchandise exports from Bangladesh will rise 9.5 percent year over year this year, with growth driven by ready-made garments, which make up 80 percent of all exports from the country.

Major imports from China include: cotton, cotton yarn/thread and cotton fabrics, nuclear reactors, boilers, machinery and mechanical appliances, electrical machinery and equipment, sound recorders and reproducers, man-made staple fibers, iron and steel, plastics and articles thereof, vehicles other than railway or tramway, paper and paper board, and arms and ammunition.

Trade between the two countries will continue to grow, as China in 2010 granted duty-free market access to some 4,721 Bangladeshi products under the Asia Pacific Trade Agreement (APTA) and the two countries are
negotiating terms for duty-free access for some Bengali goods to the Chinese market, according to a ministry of commerce official.

The official also said Bangladesh is negotiating a 100 percent duty free market access to China under the World Trade Organization.

Source: joc.com- July 17, 2017

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Trade between Angola and India reaches US$3 billion in 2016


The diplomat said, however, that Angolan oil exports accounted for the bulk of trade between the two countries, and considered that Angola’s current financial situation presents a challenge and an opportunity for bilateral trade to be more diversified and not just restricted to oil.

“I am confident that India will expand its ventures into other areas such as mining, agriculture, fisheries, information technology, higher education, health care and pharmaceuticals where there is enormous potential and that are key for the development of the Angolan economy,” said Sushil Singha.

The ambassador also said that Indian entrepreneurs have made investments in Angola in the retail, metal, real estate, construction, clothing and health sectors and that India has a greater range for cooperation as the second largest producer of textiles and clothing in the world.

Source: macauhub.com.mo- July 17, 2017
Chinese, South Korean, Indian apparel makers landing in Ethiopia

ADDIS ABABA -- Ethiopia is fast developing into a dynamic apparel-sourcing hub as low labor costs lure international clothing makers to the African nation.

Manufacturers from China, South Korea, India and other countries have opened new plants in the continent's second most populous nation while a growing number of European and U.S. brands are sourcing garments there. A significant factor in Ethiopia's emergence on the clothing scene is the planned opening of a new railway line to a port in neighboring Djibouti, located on the Horn of Africa in the Arabian Sea. The railway will facilitate transport of goods from the landlocked country's industrial areas, like the Bole Lemi Industrial Park, an hour's drive from the capital Addis Ababa.

Opened in 2015, the sprawling 150-hectare park is bustling with Chinese, Taiwanese and South Korean production facilities, conveniently clustering factories for textiles, apparel products and leather shoes in one area.

At a factory operated by Shin Textile Solutions, a South Korean company, workers sit at long rows of machines sewing mainly sportswear. According to the general manager, the plant's entire output is exported, with about 60% going to Europe, 20% to the U.S. and the remainder to Asia.
Japan’s Fast Retailing, which manufacturers and sells casual clothes under the Uniqlo brand, is among the many apparel makers that has shown interest in the plant, the manager said.

**Drive to industrialize**

Ethiopia’s main exports currently include coffee, gold and leather products, but the government is stepping up efforts to develop new industries. Arkebe Oqubay, special adviser to Prime Minister Hailemariam Desalegn, has pledged to transform Ethiopia from a farm economy into an industrial powerhouse.

As part of its efforts to turn the country into an thriving, middle-income economy by 2025, the government has been building industrial parks. The newest is Hawassa Industrial Park, a one-hour flight from the capital. Among the 15 companies with manufacturing facilities there is PVH, a U.S. apparel company.

PVH’s 280 employees produce garments for a number of international brands including Calvin Klein, then exports them to Europe and the U.S.

Source: asia.nikkei.com- July 17, 2017

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**Proposed ASTM International Standard Will Provide Terminology For Smart-Textile Industry**

A proposed ASTM International standard will support continued growth of the smart-textiles industry by outlining common terms that can be used as the textiles and electronics industries converge and new products are introduced into the market.

The proposed standard, created by ASTM International’s committee on textiles (D13), will include definitions that help differentiate various products and components. According to members of the committee, the standard will help buyers — both businesses and consumers — better understand what smart-textiles products they are purchasing.
“Creating this standard is the first step toward developing future test methods that will support quality and innovation in smart textiles and intelligent textile systems,” adds ASTM International Carole Winterhalter, a textile technologist at the U.S. Natick Research, Development, and Engineering Center in Massachusetts.

Winterhalter says that the standard will be useful to the entire smart-textiles community, including developers, suppliers, laboratories, retailers, and consumers. In addition, she notes that this terminology standard will serve as a foundation for future standards that objectively measure performance of traditional textile products (such as clothing) that also function as high-tech products.

The committee is looking for people interested in helping create these new terms. The standard is expected to evolve continuously to keep pace with innovation. The title of the proposed standard is New Terminology for Smart Textiles and Related Terminology (WK58009).

ASTM welcomes participation in the development of its standards. Become a member at www.astm.org/JOIN. The next meeting of committee on textiles is January 21-28, 2018, at the Sheraton New Orleans.

Source: textileworld.com- July 17, 2017

Bangladesh: Textiles and Jute Minister Azam calls for making textile sector more competent in world market

State Minister for Textiles and Jute Mirza Azam today called upon the officials and employees of the ministry and stakeholders to work with utmost sincerity to make the textile sector more skilled and capable for competing with the world market.

He said while addressing a view-exchange with the officials and stockholders of the ministry at its meeting room, said an official handout.

The state minister also called the officials to make their best efforts to turn the country into a middle income one by 2021.
Azam also urged the private sector of textiles to send recommendations to the ministry to take up work plan for the overall development of the sector and doing better in the competitive world market.

Textiles and Jute secretary Md Faizur Rahman Chowdhury, Additional Secretary Krishna Bhattacharjee, Bangladesh Textile Mills Corporation (BTMC) Chairman Brigadier General Mahbub Ahmed Jakaria (Bir Pratik) and Directorate of Textiles Director Md Ismail Hossain attended the meeting, among others.

Source:daily-sun.com- July 17, 2017

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Vietnamese market attracts global fashion brands

Even as majority of Vietnamese garment manufacturing companies focus solely on exports, several international fashion brands are making inroads in the domestic market. Giordano, Mango, Zara, Topshop, Gap, Old Navy, Jockey, Vera, Wow, Karen Millen, Coast, Max Mara, Oasis, Predo, Charles & Keith and NYS are among the brands that are being sold in Vietnam.

Uniqlo, Dickies, Pull&Bear, Forever 21 and H&M are also planning to open stores in Vietnam to get a share of the $4.5 billion garment market, according to local media reports.

In comparison to the innumerable export-oriented companies, there are only a few well-known Vietnamese brands that have a presence in the domestic market. These include Nha Be, May 10, Viet Tien, Ninomaxx and PT 2000. This is because the local companies consider their domestic market to be small scale compared to large export markets because of low spending per capita in Vietnam.

On the other hand, foreign brands find Vietnamese market attractive. For example, Maison has brought 21 mid- and high-end fashion brands and owns 44 outlets in Vietnam. Likewise, Son Kim Fashion has successfully brought Jockey, Vera, Wow and J.Bus brands to Vietnam. It has now tied up with two Japanese investors to bring the US Dickies brand to Vietnam.
H&M has just entered Vietnam with a fashion show at a shopping centre in HCM City recently, while Uniqlo is set to open two shops this year.

HCM City, Vietnam’s fashion capital boasts of over 50 well-known international brands such as Zara, Mango, Gap, Topshop and Old Navy. Affluent Vietnamese are happy with the opening of these stores as they no longer have to visit Singapore or Bangkok to buy latest styles.

Source: fibre2fashion.com - July 18, 2017
NATIONAL NEWS

GST, lack of govt support prompt exodus of Tamil Nadu's textile firms

Tamil Nadu’s textile cluster has long been the envy of its neighbours, given its potential to create jobs for both skilled and unskilled workers. But many states are now actively courting manufacturers and wooing them with the promise of incentives.

Odisha and Telangana have lined up lucrative packages for textile units making investments in their states. “In both the states, whatever we invest, we will be able to recover in four years," says T R Vijaya Kumar, managing director of CBC Fashions and general secretary of Tamil Nadu Exporters Association. “The benefits are enough to help the industry compete in the global market," he adds.

Tirupur’s textile business is worth Rs 50,000 crore, and employs over one million people. But dissatisfaction is growing among manufacturers owing to the lack of support from the state government in terms of subsidies in the wake of the implementation of the Goods and Services Tax (GST). The industry feels the tax rate of 5-18 per cent on textile products under GST would hurt its ability to stay competitive in the global market.

There are already signs India is losing its edge as an exporter of garments to emerging manufacturing hubs like Bangladesh and Vietnam. Despite India being one of the early movers in garment manufacturing, the late entrants have managed to overtake the country due to their low cost of production. A T-shirt produced in India is costlier by $5-$20 compared to other Southeast Asian countries. Bangladesh’s ready-made garment export is worth $33.5 billion and Vietnam is around $24 billion, as against India’s $17 billion. Even Cambodia is coming close with around $10 billion.

K Selvaraju, secretary general, the Southern India Mills’ Association, says: “Unlike India, these countries don’t even have raw material resources. The two things lending them an edge are government subsidies and tax concession from the developed markets."

With India achieving $1,000 per capita for three years in a row, it can no longer provide export subsidy under the World Trade Organization rules.
Exporters have so far received a drawback of 7.6 per cent, a rebate on state levy and service tax to the tune of 3.5 per cent and 0.21 per cent, respectively. “Now, the duty drawbacks need to be withdrawn, which means product prices will go up further,” says an exporter.

While the Union ministry of textiles rolled out a special package worth Rs 6,000 crore, which includes overtime caps, fixed-term employment, among other things, Tamil Nadu exporters want the state government to come up with its own package.

A C Eswaran, owner of Viking Textiles, says: “The textile industry in the state has grown only because of entrepreneurship." Tirupur Exporters Association President Raja M Shanmugam says, “Tamil Nadu does not even have a textile policy, but other states have realised that we are a growing sector with potential to create jobs and they are creating better environment for us to do business."

Six units have shown interest in setting up factories in Odisha already, says Kumar. “From chief secretary to textile secretary, pollution board head, industry representatives, everybody spent hours with us to understand our needs and said they would clear things and give all supports immediately."

Odisha has indeed rolled out the red carpet for Tamil Nadu’s textile industry with incentives such as subsidy of Rs 15,00 per month per employee for three years for a unit with more than 200 workers and 20 per cent subsidy on infrastructure cost. The state has also kept the minimum wage at Rs 200 per day for unskilled workers and Rs 240-260 for skilled workers, as against Rs 320 and Rs 600, respectively, in Tamil Nadu.

Telegana has promised a centralised effluent treatment plant for the industry and single-window clearance for proposals to entice manufacturers.

R Rajkumar, managing director, Best Corporation, plans to to invest around Rs 50 crore in Odisha to set up a 1,000 machines factory. The factory will create jobs for 2,500 people. “In Tamil Nadu there is no incentive to set up a plant,” he says.

Source:business-standard.com- July 18, 2017
Exporters body FIEO for analysis of sectors with low or negative growth

Exporters body Federation of Indian Export Organisations (FIEO) on Monday asked the government for an analysis of the sectors recording low or negative growth.

FIEO said that 15 out of 30 major product groups have shown negative growth in June. These sectors include plastic, handicrafts, carpet, textiles, pharmaceuticals, gems and jewellery, leather, oil seeds and tobacco.

Decline in exports of pharma, leather, gems and jewellery is a cause of concern which needs to be looked into as all of them are important from export and employment perspective, a statement quoted FIEO president Ganesh Gupta as saying.

“A sectoral analysis may be done to pin point factors responsible for decline in such sectors,” he said.

In June, the country’s exports grew 4.39% year-on-year to $23.56 billion. In May, the shipments increased 8.32%.

The FIEO president also asked the government to address implementation issues related to the goods and services tax (GST). The issues “should be addressed on war footing, else it will affect exports in the current and next few months,” he said.

Further, Gupta said the government needs to carefully watch imports under the GST system as complete set-off of integrated GST (IGST) may spur imports of finished goods adding to the challenges of domestic manufacturing.

Source: livemint.com- July 17, 2017
Protesters disappear from textile markets

SURAT: The anti-GST protesters in the country's largest man-made fabric (MMF) wholesale market in the city remained calm even as around 15 per cent of the textile shops opened up for business on Monday.

Despite Saturday's mob frenzy at Surat Textile Market (STM) on Ring Road, shop owners in many markets located on Ring Road, Salabatpura and Sahara Darwaja opened up their shops. At the STM market, Manbhari Prints, which faced the mob frenzy on Saturday, opened up on Monday. The mobs had disappeared and there was routine movement of traders and textile workers inside the market.

"If few traders show courage and open up their shops, rest of the traders will follow. Today, 15 per cent shops in all the markets have opened up. Tomorrow there will be 50 per cent and the business will be normal on the third day," said owner of Manbhari Prints Narendra Saboo, who also despatched his sari orders to other states on Monday.

The Ring Road, which houses most of the textile markets and remained the epicentre of the anti-GST protest during the last fortnight, wore a picture of normalcy. Those working in the shops were coming and going out of the markets as per their usual schedule, hanging out around the tea and paan shops, and ate at the restaurants and food stalls. The crowds that used to throng the few big markets, including Millennium, Raghukul, JJ air-conditioned market and at Salasar Gate were conspicuously missing.

Even the sloganeering against the government and local politicians had died down. "Shutting down the shops for an indefinite period is not the way out. You have to keep the dialogue going on with the government while ensuring your business is not harmed. Today, lakhs of poor textile workers have become jobless and important business season slipping away," said Dhirubhai Shah of Fairdeal Filaments.

Source: timesofindia.com- July 18, 2017

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Indo-American Chamber of Commerce for pruning GST slabs

Indo-American Chamber of Commerce (IACC) has suggested some points for smooth transition of Goods and Services Tax (GST) from its truncated avatar to a full-fledged tax structure that upholds its basic principle ‘One India One tax’. It has suggested that the government should draw up a roadmap for reducing the number of slabs in the GST.

World over, GST or a similar comprehensive indirect tax will have either one slab or at best two. In India, the five slab tax structure makes it complicated and difficult to comply with, IACC said in a press release. “We have to draw up a roadmap for further pruning the number of rates in a time bound manner. In the given situation, it is prudent to do away with highest slab/s and amalgamating it/them with next lower slab on account of two reasons. One, any increase in rates will lead to resistance and even protracted litigations and the two, the human ingenuity is such that a product may be given a different name, shape, texture and size to fit into a lower slab,” SK Sarkar, chairman, Finance Committee, IACC, said.

For players in the textile value chain, the GST will force them to source goods and services from the organised sector. It is because natural fibres (cotton, wool) which were exempted from tax, would be taxed under GST. Since a significant portion of the textile industry is in the unorganised sector, there will be a gap in the flow of input tax credit as it is not allowed if the registered taxpayers procure the inputs from the unorganised sector, according to the IACC.

Another important issue that has to be addressed to is the conceptual ambiguity in the GST structure. A close scrutiny of the present structure—Central GST, State GST and Inter-State GST—reveals that GST has not brought any significant improvement over the earlier VAT. Under the GST, the manufacturing states feel that their interests have been jeopardized as GST is a destination based tax. “It is important to evolve pragmatic schemes that should address the genuine concerns of manufacturing states in order to shore up their faith in the dispensation,” the release states.

Next, there will be an additional cost for small businesses in the manufacturing sector. Under the excise laws, only manufacturing business with a turnover exceeding Rs 1.50 crore had to pay excise duty. Under GST, the turnover limit has been reduced to Rs 20 lakh, increasing the tax
burden for many manufacturing SMEs. For many of the SMEs, the compliance will be tough, and will come at an additional cost of installing GST compliant software and training employees on how to use it. “It is ideal that some support from the government flows to the small scale sector to motivate them switch over to the GST,” said Sarkar.

“What we have to do is to constantly monitor the activities and take ameliorative steps as and when they are noticed. Also, there should be a strong say for the small and medium enterprises at the GST Council to articulate their problems,” says Vasant Subramanyan, national vice president, IACC.

Source: fibre2fashion.com- July 17, 2017

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Wholesale textile markets remain open in Walled city Amritsar

The wholesale textile markets in the Walled City Amritsar remain opened even as the Federation of Textile Traders of Amritsar (FTTA) is yet to take a final call on the strike called to protest against the imposition of Goods and Services Tax (GST) on unstitched clothes.

FTTA president Jatinder Singh Moti Bhatia said that there is no division of opinion about the agitation among the business community. He said that most shops were opened to check any damage following the recent rains.

The next course of action regarding the agitation will be decided by the GST Sangharsh Samiti, headed by Tara Chand Kast, tomorrow. A decision would be conveyed to the traders here accordingly.

According to a trader, the agitation was not likely to have much impact on the policy decision taken by the Central government.

Once called the Manchester of India, the textile industry in the holy city is grappling with problems like rising cost and quality competitive market following global competition, rising cost of raw and changing dynamics of the manufacturing technology.
In fact, during the strike, the traders incurred losses to the tune of crores. He said that weekends record the maximum sale as retailers from rural and remote areas of the state come to procure goods in bulk.

Source: yarnsandfibers.com - July 17, 2017