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# IBTEX No. 113 of 2017 June 05, 2017

USD 64.34 | EUR 72.48 | GBP 82.79 | JPY 0.58

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20318 | 42500 | **84.12** |

**Domestic Futures Price (Ex. Gin), May**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20930 | 43781 | **86.66** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( July2017) | 77.22 |
| ZCE Cotton: Yuan/MT ( Sept 2017) | 15,625 |
| ZCE Cotton: USD Cents/lb | **6.94** |
| **Cotlook A Index – Physical** | **87.20** |

**Cotton guide:**

Yet another week cotton in the global market traded sideways to lower. The most active July future ended the week below key level of 77 cents at 76.69 cents per pound. This has been straight three consecutive weeks cotton is trading down all the way from 87 cents.

Long liquidation by the speculators, position rolling from July to December and reduction in the open interest are all pulling cotton price down. We believe market may remain under pressure in the near term. Although mills on-call fixation is seen progressively but long squaring off of position is making the front month July contract under stress.

While we analyze the July contract price chart with its first notice period starting on 26th of June more selling could be witnessed in the near term. Before we progress believe 76.17 remains a key support level while the current momentum suggests market could breach the same and move down towards 75.35 cents level. For reference, the 50 period weekly moving average (SMA) is seen at 73.73 cents far from the current price juncture.

Interestingly, the scenario is finely different in December contract. Price in the mentioned contract in the last week ended slightly positive at 73.12 up by 33 points from the previous close.

As said above position roll over and open interest in December topping July has perhaps suggests market positions especially the spec. movements are rolled to December contract. So this also indicates the positioning of speculative calls would affect the December contract more than the July future.

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

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# INTERNATIONAL NEWS

## Japan's MMF output increases 2.8% in April 2017

Japan produced 79,590 tons of man-made fibre (MMF) in April 2017, registering an increase of 2.8 per cent year-on-year.

While synthetic fibre output fell 3.1 per cent to 62,680 tons, cellulosic fibre production rose 33 per cent to 16,910 tons, Japan Chemical Fibers Association said based on the official data from the ministry of economy, trade and industry.

Among synthetic fibres, output of acrylic staple fibre increased by 1.3 per cent year-on-year to 11,873 tons, while that of nylon filament rose 9.5 per cent to 8,246 tons, and polyester filament up 0.5 per cent to 8,246 tons.

However, polyester staple fibre production decreased by 17.3 per cent to 7,885 tons, owing to structural reforms being undertaken by companies.

During January-April 2017, total MMF production in Japan amounted to 304,547 tons, registering a drop of 2.1 per cent year-on-year.

Of this, synthetic fibre production accounted for 238,981 tons, down 5.9 per cent, whereas cellulosic fibre production was 65,566 tons, up 14.4 per cent.

Source: fibre2fashion.com- June 04, 2017

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## Pakistan: Subsidy on low value-added products to harm exports sector

Pakistan stands no chance of increasing exports as no country has ever accelerated growth in exports by offering subsidy on low value-added products.

Rebate on yarn export announced under the export package and indifference to import of under-invoiced garments will keep apparel industry under pressure.

The 18-month export package worth Rs180 billion offers four percent straight export rebate on yarn from January to June.

Thereafter, the rebate is subject to 10 percent increase in its exports on yearly basis. The move seems a desperate move taken in haste without evaluating its impact on higher value-added exports.

Yarn is the basic raw material for weavers, which are also given five percent rebate on fabric export. Fabric is the basic raw material for garmenting and knitting units.

Yarn exporters have to cut rates sometimes to an extent of the announced rebate. In the local market, they, however, maintain higher prices, which mean that the weavers in Pakistan are at disadvantage against their foreign competitors.

The weavers give up their rebate margin to get higher export orders. However, they charge higher prices for fabric in the domestic market. This places garment and knitwear exporters at a disadvantage against their competitors as they get basic raw material for apparel production at higher price.

The option of importing yarn or fabric has been effectively blocked through not only regular duty but through additional regulatory duty.

Unfortunately, the garment sector has also been denied domestic market through import of under-invoiced garments.

An example in this regard was witnessed almost a year back when a Lahore-based appraiser increased the per unit value of imported garment from $0.33 (or Rs34/piece) to $3.45/piece (or Rs360).

There had been a strong protest from the traders of Shah Alam market Lahore for weeks. The matter was silently settled later on.

In reality, Pakistan produces low-value added products because making those products is not economically viable in developed and many developing economies. The developed economies have opted out of numerous low value-added products because of higher wages paying which is not feasible for them on low value products.

Pakistan's wages are lower than the developed economy and China as well. Its wages are marginally higher than India and substantially higher than Bangladesh. But if wages are the only criteria then Vietnam should not have challenged textile exporters of Pakistan, India and Bangladesh.

They have increased their textile exports from zero in 2000 to more than $28 billion in 2016. The other factor is power tariff, which is higher in Pakistan when compared with India and Bangladesh. But, impact of power on input cost is less than 10 percent, which means even 30 percent difference in power rates would have an additional impact of 0.3 percent on the total cost. That should not be much of a problem.

Efficiency of machines can be another problem. In the last 10 years, textile millers from Pakistan hardly invested in new technology. During the same period countries like China, India and Bangladesh kept on investing in both spinning and weaving technologies. These countries were, in fact, the major importers of Pakistani yarn and fabric.

They added new machines that consume 40 percent less power, 60 percent less labour and their speed was two to six times higher than the machines installed in Pakistan.

Now, this really had a multiplier impact on cost. The power rate differential multiplied when power efficient machines were used.

The increased productivity with 1/3rd workforce in practical terms meant that the cost would appreciably come down. This is a reason that even with four percent rebate on yarn and five percent on fabric Pakistan has been booted out of competition.

Yarn and fabric is entering Pakistan despite normal and regulatory duties because it still costs less.

The export package would be a burden on the national exchequer as far as basic textile industry, which needs massive upgrade, is concerned.

Source: thenews.com.pk.com - June 05, 2017

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## Bangladesh rethinks MIP of some Indian goods

Dhaka is reconsidering minimum import price (MIP) of some products as India said its exports to Bangladesh hit hindrance following a pricing order, officials said.

The statutory regulatory order (SRO) was issued in July last year which had modified MIP of some products, including bicycles, ceramic sanitary products, and leaf springs.

"The issuance of the order had an adverse impact on Indian exports to Bangladesh of several products," Indian commerce secretary Rita Teaotia wrote to her counterpart in Dhaka recently.

Delhi said the MIP set through the SRO was non-compliant with the WTO (World Trade Organisation) rules and issued to obstruct its export to Bangladesh. A senior official at the ministry of commerce (MoC) in Dhaka told the FE India claims that the MIP for the country was set higher than the MIP for similar products in case of China.

The MoC in a recent meeting decided that the national board of revenue (NBR) will be requested to revisit the prices of the products in question in case of import from India.

"We want a non-discriminatory MIP is set for all," said the official, seeking anonymity.

According to officials, the MIP was fixed to avoid possible under-invoicing of products at import stage and to avoid the dumping of any goods by any country into Bangladesh.

They said if no minimum import prices were set, any country could take the advantage of exporting any goods to Bangladesh at low prices to harm the local industry.

Asked whether there is any such barrier imposed by India in case of Bangladeshi products' export, another official said there are various types of non-tariff and para-tariff barriers blocking Bangladesh's exports.

Citing an example the official said India in January this year imposed anti-dumping duties between US$19 and $352 per tonne on import of jute and jute goods from Bangladesh.

In April this year, Delhi also imposed anti-dumping duties ranging between $27.81 and $91.47 per tonne on hydrogen peroxide imports from Bangladesh. They had also imposed anti-dumping duty on export of lead-acid batteries more than a decade ago.

The official said Bangladesh had never levied anti-dumping duty in the name of protecting local industries.

Commerce secretary-in-charge Shubhashish Bose could not be contacted for a comment despite several attempts.

The two-way trade between Bangladesh and India amounted to over US$6.0 billion with the balance heavily tilted towards India. In fiscal year 2015-16 Bangladesh exported goods worth $689 million to India and imported goods worth $5.452 billion from there.

Bangladesh mainly exports woven garments, knitwear, home textiles, agricultural products, frozen foods, leather and leather products, footwear, raw jute, jute goods, and bicycle.

On the other hand, the country imports cotton, cotton yarn, cotton fabrics, vehicles, nuclear reactor, boilers, machinery and mechanical appliances, cereals, edible vegetables, iron and steel among others.

Source: thefinancialexpress-bd.com- June 05, 2017

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## China to account for 50% of world's online retail market

China has been projected to account for more than 50 per cent of the world's online retail market in 2017, according to a recent report. With its immense population and high online shopper penetration among internet users, China leads in the global B2C e-commerce arena in spite of its internet penetration of just above 50 per cent of total population.

The report titled 'China B2C E-Commerce Market 2017' published by yStats.com says that around two -thirds of the internet users in urban China already shop online, the share is higher in the top cities.

With the online share of total retail sales in the country already in the double-digits, the internet retail market in China is showing distinct signs of maturity. Among them are the growing contribution of the B2C segment and the retreating C2C share of total retail e-commerce sales.

More e-commerce growth is expected by 2020 due to increasing internet and online shopper penetration rates, growing frequency of online purchases by urban consumers and, most of all, from the surge of online retail sales in rural China.

According to official statistics referenced in this report, online retail sales in China's rural areas more than doubled between 2015 and 2016.

Source: fibre2fashion.com - June 02, 2017

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## Sri Lanka's garment exports fall 11% in Jan-Feb '17

The exports of textiles and garments from Sri Lanka decreased by 11.3 per cent to $822.4 million in the first two months of the current year, compared to exports of $927.5 million in the corresponding period of the last year.

Clothing exports alone accounted for $776.2 million in January-February 2017, showing a decrease of 11.6 per cent year-on-year.

Textiles and apparel accounted for about 61.95 per cent of all industrial exports made by the South Asian nation during the two-month period, according to the data released by the Central Bank of Sri Lanka.

In fact, the fall in export value has been higher in February compared to January. "Export earnings from textiles and garments contracted by 14.5 per cent to $396 million in February 2017 reflecting a significant decline in garment exports to the EU and the US," the Central Bank of Sri Lanka said in its report on 'External Sector Performance – February 2017'.

Sri Lanka's expenditure on imports of textiles and textile articles also decreased 7.6 per cent to $439.6 million in January-February 2017, as against imports valued at $475.9 million in the corresponding period of the previous year.

The fall in imports was higher in February. "Import of textiles and textile articles, declined by 17.1 per cent in February 2017 in line with the decline in textiles and garments exports," the central bank said.

The island nation earned $4.884 billion in textiles and apparel exports in 2016, registering a growth of mere 1.3 per cent year-on-year.

Of this, clothing exports alone accounted for $4.602 billion, up 1 per cent over previous year's earnings of $4.555 billion.

Source: fibre2fashion.com- June 05, 2017

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# UK: Fashion textiles, accessories, at London Textile Fair

A wide range of fashion textiles, accessories, print studios and vintage garments focusing on autumn/winter 2018 pre-collections will be featured at the London Textile Fair, to be held during July 19-20, 2017. The show will have a hall dedicated to fashion textiles accommodating about 50 new exhibitors. The fair was for the first time organised in 2008.

“2017 results are above expectations. All our shows are fully booked, and after the successful launch of the Home and Technical textile hall within Texfusion last year, we have introduced a new segment for garment manufacturers in March, which has immediately received a positive response from British buyers,” says John Kelley, show organiser and Textile Events owner.

Textile Events will launch a new show in New York in August 2017: The Print + Design Fair - New York Edition, dedicated to the best British and European Print Studios.

The industry professionals who come to TLTF represent almost every fashion brand and designer within the UK - from high-street chains to independent women, men and children clothing retailers – such as TopShop, John Lewis, Dorothy Perkins, Tesco, Debenhams, Ted Backer, Missguided, All Saints, Coast, Marks&Spencer, Accessorize, River Island and many more.

“TLTF is such a great place to find new contacts and showcase the newest collections. The best part of the fair is that it has a nice welcoming atmosphere,” Ieva Kuojaite, Bruberi Design Oy (UK), exhibitor TLTF (print studio) says.

“Definitely the show to be at if you want to sell your fabrics among the top UK brands,” Gianni Colombo, Dragoni S.p.A (Italy), another exhibitor TLTF (textiles), says.

The accessories and textiles halls have together more than 90 per cent of the total exhibiting space and, due to the increasing interest from new companies, the organisers have opened a new room which accommodates 50 new fabric manufacturers.

The July 2017 edition will have a wide selection of womenswear, menswear, childrenswear fabrics and accessories with an increasing number of technical textiles manufactures.

The accessories hall has grown exponentially over the last five editions, showcasing an impressively diverse range of products from the best European manufacturers. The number of exhibitors has exceeded expectation, with about 30 per cent new companies registered for July.

The print design and vintage garments hall attracts the leading UK and international studios, with many studios exhibiting also at The London Print Design Fair which takes place in March and October.

Source: fibre2fashion.com- June 04, 2017

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## Bangladesh targets 1.0m bales cotton production

Cotton production can be enhanced to around 0.8 to 1.0 million bales from the existing hardly 0.1 million bales annually, experts said.

Cotton Development Board has adopted a five-year project titled "Extensive Cotton Cultivation" considering importance of the sector and its further development.

On successful implementation of the project, the cotton production will increase many fold and that will save huge foreign currency.

Besides, better quality edible oil and oil cake are manufactured from cotton seeds and cotton stalk is one of the best domestic fuels.

As oil cake is highly enriched with protein and fat many people use it in cow fattening farm and fish farming for better outputs.

The observations came at a regional workshop titled "Prospect of Cotton Farming in Barind Tract and Extension Strategy" held at the conference hall of Barind Multipurpose Development Authority (BMDA) in Rajshahi metropolis yesterday.

Agricultural scientists and researchers at the daylong discussion urged the farmers and others concerned to expand cotton farming in the vast barind tract for boosting up its production to meet up the country's demand.

They viewed prospect of boosting cotton production in the drought-prone barind region is bright as its topography and climatic condition suitable for the cash crop.

Chairman of BMDA Dr Akram Hossain Chowdhury and Executive Director of CDB Dr Farid Uddin Ahmed addressed the discussion as chief and special guests respectively with Deputy Commissioner of Rajshahi Helal Mahmud Sharif in the chair.

Dr Farid Uddin said there is an enormous prospect of boosting cotton production after the best uses of existing natural resources.

Source: thefinancialexpress-bd.com- June 04, 2017

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## Cambodia: Garment industry exports up, jobs down

Exports grew at a solid pace in 2016, rising by 7.2 percent to $7.3 billion, but the number of registered exporting factories fell by 10.4 per cent, while the number of workers declined by 2.9 per cent, compared to 2015.

The figures were published in the sixth edition of the International Labour Organisation's Cambodian garment and footwear sector bulletin.

According to the report, there were three main factors behind the discrepancy between strong exports on the one hand, but weaker employment on the other.

These factors include a rise in the industry's productivity, statistical problems with the measurement of employment and factory numbers, and an increase in production in subcontracting factories. ILO country director Maurizio Bussi said: “A rise in employment and production in subcontracting factories could be a concerning development if subcontracting is being used as a way to undercut regulations, including labour law and the minimum wage”.

Unlike registered exporting factories, subcontractors are not monitored by the Better Factories Cambodia programme.

“The situation should be carefully monitored by stakeholders and relevant agencies of the Royal Government of Cambodia,” Mr Bussi added.

The report said garments and footwear are still the country’s most important exports, accounting for 78 percent of total merchandise exports in 2016.

“The EU remains the most important market destination for Cambodia’s garment and footwear exports, with the US second,” it said.

“The sector’s exports to the EU and US combined accounted for only 65 percent in 2016, down from 72 percent in 2015, with an increasing share going to markets outside the US and EU, notably Japan and Canada.”

The report highlighted improvements in the income of workers, despite the overall drop in staff numbers.

“The average monthly earnings (including overtime) of Cambodia’s garment and footwear workers increased from $145 in 2014 to $175 in 2015 and to $195 in 2016. Adjusted for inflation, real average monthly wages/earnings were 8 percent higher in 2016 than they were in 2015,” it said.

The World Bank in its latest economic outlook on Cambodia said while the country’s economic growth remain strong, growth in garment exports eased, expanding at 8.4 percent (in value terms) year-on-year in 2016, compared with 12.3 percent in 2015.

“Rising labour costs, driven in part by the increasing cost of living, US dollar appreciation, and competition from other regional low-wage countries, in particular Myanmar, continue to exert downward pressure on prices of exported garment products,” the World Bank said.

Source: khmertimeskh.com- June 04, 2017

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# NATIONAL NEWS

## Higher GST to make textiles costlier, industry laments lack of uniformity

The government has fixed a 5 per cent GST rate on cotton fibre, yarn and fabric against the current prevailing rate of “nil”. This means, cotton yarn and fabric would now attract 5 per cent duty, which would make all products proportionately costlier.

| GST levy on textiles | |
|---|---|
| Silk and jute | 0% |
| Cotton and natural fibre | 5% |
| Manmade fibre | 18% |
| All categories of yarn | 5% |
| Manmade yarn | 18% |
| Fabric | 5% |
| Apparels priced above Rs 1,000 | 12% |
| Apparels prced below Rs 1,000 | 5% |

Some states, however, had levied value added tax on cotton yarn and fabric at 2-4 per cent. Overall, 5 per cent GST levy is higher than the existing levies on cotton yarn and fabric. Silk and jute have been kept under “nil” category under the GST. Man-made or synthetic fibre yarn will attract 18 per cent GST.

While all apparels would attract 12 per cent GST once the tax is rolled out, against the current levy of 6-7 per cent, apparels below worth Rs 1,000 would levy 5 per cent GST.

“We are happy with the government’s decision to keep fabric under 5 per cent and apparel under 12 per cent,” said R K Dalmia, President, Century Textiles.

While announcing these rates, the Finance Minister Arun Jaitley, however, clarified that textiles manufacturer would not given credit outflow. This means, an input credit above the prescribed limit would not be granted to textiles manufactures, said Jaitley.

He said this in the context of 18 per cent GST for man-made yarn, while fabric made from that will attract 5 per cent and hence full input credit will not be utilised.

S C Kapur, chairman of association of synthetic fibre industry said, "The government should have appiled a uniform rate to the textile industry which has been the global practice.

Man-made fibre tax at cotton yarn level would have helped higher investment in the sector. Additional demand for fabric can be fulfilled by synthetic makers as there will always be an upper limit to produce more cotton."

Synthetic yarn and cotton yarn blended fabric constitutes 70-80 per cent of total fabric and hence mis-declaring synthetic fibre as cotton in blended fabric is not ruled out, say industry captains.

With this, readymade garments would become costlier proportionately. Had input credit been granted, garments manufacturers would get a breather in terms of taxes on raw materials.

“The 5 per cent GST levy on cotton yarn and fabric would make interstate movement of goods smoother and business would become transparent. A small increase in the product rate would become immaterial once business goes with uniform tax rates across the country.

Meanwhile, the rate of 12 per cent for textiles is progressive and will lead to the growth and development of the entire value chain,” said Ujwal Lahoti, Chairman of The Cotton Textiles Export Promotion Council (Texprocil).

The GST rate for textiles will eliminate the cascading effect of duty/taxes which will reduce the costs and improve the competitiveness of the textiles exports.

“Five per cent GST on cotton yarn and fabrics would help producers with compliance and encourage farmers to grow more cotton, Lahoti added.

With this low rate, Indian producers would become competitive in the world which will help India’s textiles exports grow in coming years, a senior industry official said.

Source: business-standard.com- June 03, 2017

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# Texprocil welcomes 5% GST rates on yarn and fabrics

The Cotton Textiles Export Promotion Council (Texprocil) today welcomed 5 per cent GST on yarn and fabrics.

The GST Council in its meeting today classified yarn and cotton fabrics under 5 per cent category of GST.

"The rate of 5 per cent for cotton textiles is very progressive and will lead to the growth and development of the entire value chain," Texprocil chairman Ujwal Lahoti said in a statement here.

"We are happy that Finance Minister has accepted the Council's suggestion for keeping the rates low in order to ensure compliance and encourage the farmers to grow more cotton.

"We also thank Minister of Textiles for extending her unstinted support to get low rate of 5 per cent for the cotton textiles sector," Lahoti said.

These low rates will not cast any additional burden on the sector and will ensure that India regains it's competitiveness in the textiles sector in world markets.

Lahoti also requested the government to announce draw back rates to take into account the unrebated duties under GST and continue the ROSL scheme for Made Ups and also extend it to fabrics and yarn sector.

The GST rate for textiles will eliminate the cascading effect of duty/taxes which will reduce the costs and improve the competitiveness of the textiles exports, he said.

Lahoti also urged the government to ensure speedy refund of input tax credits on exports so that exporter's funds does not get blocked.

Source: thehindubusinessline.com - June 03, 2017

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# Textile sector in two minds over GST rates

The local textile sector seem confused about the tax rates for fabric and garments under the goods and services tax bill. While industry associations welcome the new figures, entrepreneurs say there will be opposition from traders, as the proposed tax rate is more compared to the existing rate.

The Southern India Mills' Association (Sima) said Union textiles minister Smriti Irani and finance minister Arun Jaitley had kept in mind the issues prevailing in the textile sector while fixing the tax rate under GST. Chairman of the association, M Senthilkumar, said, "The textile industry has been under the optional route since 2004 and the fabrics have been under zero VAT rate.

The 5% GST would bring substantial revenue apart from widely broad-basing the tax net across the textile value chain and ensuring compliance. The 5% GST on garments below Rs 1,000 would benefit the common man."

On the proposed tax rate on cotton, Senthilkumar said 5% GST would help sustain the competitiveness among cotton farmers. "The 5% GST rate on cotton fibre would sustain the competitiveness of over 20 million cotton farmers as the rate across the value chain would enable the cotton industry to remain globally competitive, achieve substantial growth rate and increase cotton fibre consumption, thereby increasing the earnings of farmers."

Besides, Sima hopes that the textile job work will be exempted from service tax, a factor essential to benefit the decentralised micro, small and medium enterprises comprising powerloom, knitting, processing and garmenting sector.

While associations have predominantly welcomed the tax rate, yarn merchants seem to have apprehensions over it. Gopal Maheshwary, a yarn merchant from the city, feels that the proposed rate will face opposition from loom centres in Maharashtra, where the tax is 2%.

"The tax is 250 times the present rate. And yarn is not traded in small quantities that the impact will be ignorable. Since the consignments are huge, it will lead to a sharp increase in the prices," he told TOI.

Demonetisation has done enough damage to the yarn business and the GST rate will make things worse in the sector, Gopal Maheshwary said. "Yarn sales have dropped since demonetisation. Businesses are yet to get back on track and the GST will further contribute to the dullness in the sector," he added.

Source: timesofindia.com- June 05, 2017

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## 'Industry needs to gear up for GST transition from July 1'

With the Goods and Services Tax (GST) headed for a July 1 roll-out, industry leaders on Saturday said that the traders needed to gear up for the transition as it was unlikely that the new indirect tax regime would be postponed further.

"With assurance from state Finance Ministers and the Goods and Services Tax Network (GSTN) on the readiness of implementing GST ready from July 1, onus now lies on the industry to prepare. Adequate information is now available in the public domain vis-a-vis return formats and rules, thus it is critical for the industry to gear up their IT systems for meeting reporting requirements for filing returns on the GSTN portal," said Rajeev Dimri, Leader, Indirect Tax, BMR and Associates LLP.

Welcoming the agreement of states to roll-out GST from July 1, the Confederation of All India Traders (CAIT) said: "Now India is moving towards adoption of its largest indirect tax reform and to ensure its seamless implementation, we call upon the government to declare first nine months of GST implementation as trial period since still large number of traders and small businesses have yet to adopt computerisation."

"Much preparedness is required at the level of traders. Large number of traders are even unaware how technology will operate in business under GST regime.

Obviously many challenges will occur which needs to be sorted out and as such trial period is required," said the confederation's Secretary General Praveen Khandelwal.

Allowing input credit on excise paid stock is a welcome step as it will restrict any likely inflation of prices, he said.

In its 15th meeting on Saturday, the GST Council completed the exercise of bringing all items under a 4-slab tax structure with gold to be taxed at 3 per cent.

Somasundaram PR, Managing Director, India, World Gold Council said: "The decision to apply 3 per cent GST on gold is an encouraging step in the current context to stabilise the industry and address the concerns of the millions employed in the industry.

"Together with customs duty of 10 per cent, the total tax on gold is still high and will continue to have an impact on the jewellery industry. This may be an opportune time for the government to cut the import duty."

However, transition to GST will be disruptive in the short-term, as the large unorganised segment and consumers adjusts to the new tax system, but in the longer-term it will streamline gold trade and boost value addition, he added.

Pratik Jain, Partner and Leader Indirect Tax, PwC, said: "Stage now seems set for July 1 rollout as government doesn't seem to be blinking amidst demand of deferment by couple of months."

"On rates, largely the principle of equivalence vis a vis current rates has been followed. However, there seems to be a disconnect between the calculations of current effective taxes done by the industry and the government, particularly on sectors like biscuits and footwear. It is important that the government relooks at this in the next meeting scheduled on June 11," he said.

The GST Council in Saturday's meeting classified yarn and cotton fabrics under 5 per cent.

"The rate of 5 per cent for cotton textiles is very progressive and will lead to the growth and development of the entire value chain," said Ujwal Lahoti, Chairman of the Cotton Textiles Export Promotion Council (TEXPROCIL).

"These low rates will not cast any additional burden on the sector and will ensure that India regains it's competitiveness in the textiles sector in world market," he said.

Source: economictimes.indiatimes.com- June 03, 2017

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## Indian retail sector to touch $1150 bn by 2020: Care

The Indian retail sector is likely to witness a growth rate of 12-14 per cent in the next four years to touch $1,150 billion by the year 2020, according to a recent report. A rise in demand with higher incomes, increased job creation and an improvement in the standard of living of the people in the country are expected to lead to this growth.

Some of the other factors that will lead to the growth of the industry are increased participation of retailers and manufacturers in the organised retail segment, higher discretionary spends, promotional and discounted pricing, increase in the number of products and private labels and more, according to a report by Care Ratings.

The retail industry of India is valued at $672 billion, says the rating agency. It constitutes around 10 per cent to the GDP of India and has an employment share of around 8 per cent.

The factors that have influenced the growth of the industry in India include rise in income levels, favourable demographics, urbanization and increased per capita income.

The report adds that credit availability, rising use of plastic money, a growth in the number of working women and growing discretionary spending have contributed towards the sector's growth.

The organised retail market of India takes about 9 per cent share in the sector and is valued at $60 billion, while the unorganized sector accounts for the remaining 91 per cent, as per the report.

Source: fibre2fashion.com- June 03, 2017

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## Cotton Update

July ICE is up, December is down 62 points, ZCE is down… Spread: July/Dec: 4.23 cents. The GST council has decided 5 percent tax on cotton.

Yet another week cotton in the global market traded sideways to lower. The most active July future ended the week below key level of 77 cents at 76.69 cents per pound. This has been straight three consecutive weeks cotton is trading down all the way from 87 cents. Long liquidation by the speculators, position rolling from July to December and reduction in the open interest are all pulling cotton price down. We believe market may remain under pressure in the near term.

Although mills on-call fixation is seen progressively but long squaring off of position is making the front month July contract under stress. While we analyze the July contract price chart with its first notice period starting on 26th of June more selling could be witnessed in the near term. Before we progress believe 76.17 remains a key support level while the current momentum suggests market could breach the same and move down towards 75.35 cents level. For reference, the 50 period weekly moving average (SMA) is seen at 73.73 cents far from the current price juncture.

Interestingly, the scenario is finely different in December contract. Price in the mentioned contract in the last week ended slightly positive at 73.12 up by 33 points from the previous close. As said above position roll over and open interest in December topping July has perhaps suggests market positions especially the spec. movements are rolled to December contract. So this also indicates the positioning of speculative calls would affect the December contract more than the July future.

In another perspective the spread between July and December has moved to 3.50 cents per pound and believe it is currently trading near the mean spread. We have been off late suggesting anytime spread widens it should be an opportunity to sell the spread.

**Today's Early Asian market movement:** The ICE July is trading flat at 76.73 cents while remarkably the December is down by 62 points. This indicates market action and participation is now more in December contract. *(As said above speculative positions to be watched critically)* The same could be explained with the open interest position.

The OI in July is 88K contracts while December OI is 0.129 million contracts. In the meanwhile, ZCE cotton future for September contract this morning is seen trading down at 15,285 Yuan/MT down by 155 points from the previous close. This also suggests now more action is being seen in December ICE contract than the July future.

For the day we expect cotton price to remain sideways to lower. Last week Cotton for June contract at MCX ended at Rs. 20,930 per bale. The trading range for the day would be 20800 to 21070 and recommend selling from higher levels. Also note the spread between June and July contract at MCX is around Rs. 200 and hovering in the positive territory. The chart indicates the spread may remain mostly onto positive side in the near term which may move towards Rs. 300+.

**Rupee Movement:**

Indian rupee trades marginally higher near 64.35 levels against the US dollar. Rupee has benefitted from general weakness in US dollar post disappointing US non-farm payrolls data. However, weighing on currency is choppiness in equity market amid geopolitical tensions and concerns about US economy. Also weighing on rupee is lower bond yields on expectations of less hawkish tone by RBI this week. Rupee may trade in a range of 64.2-64.45 but gains may not sustain.

**GST Update:**

The GST council has decided 5 percent tax on cotton. The 15th meeting of GST council chaired by Finance Minister finalized tax rates of six items including gold, textiles and footwear. Cotton yarn will also attract 5 percent levies on GST system scheduled to be kicked off on 1st July while GST on readymade garments above Rs 1000 will be 12 percent while on garments below Rs 1000 it will be 5 percent.

For manmade yarn GST will be 18%. Apparel costing below Rs. 1000 will be levied at 5 percent tax in GST system while all categories of fabric will attract 5 percent GST.

Source: kotakcommodities.com- June 05, 2017

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# Good cotton output expected, imports may be cut

The early arrival of monsoon rains has prompted many Indian cotton millers and traders to cancel or settle their import contracts, with expectations mounting that the South Asian nation would have a bumper crop of the textile fabric this year.


Contracts worth about 2 lakh bales (each bale of 170 kg) have already been settled after the annual rains hit the peninsular coastline ahead of schedule. Nayan Mirani, president of the Cotton Association of India said: "Some import contracts have been mutually cancelled, possibly reducing the import quantity for this year."

According to traders, cancellations occurred after the New York ICE cotton prices spiked mid-May. Simultaneously, concerns about the adverse impact of El Nino on Indian monsoons began fading, making cancellations mutually beneficial.

India's 2016-17 cotton imports were expected to touch an all time high of 30 lakh bales. However, traders now expect imports to come down. "The total imports will not be more than 25 lakh bales," said BS Rajpal, a trader from Maharashtra.

Because of constraints in domestic supplies, higher local prices due to the fall in arrivals after the demonetisation, and cheaper availability of good quality cotton overseas, India's imports were expected to be record high in 2016-17.

However, because of good seed sales and the early arrival of rains, traders expect India to harvest a bumper crop. "Cotton seed sales have been good and rains are also good. Cotton prices are better when compared to other crops," said Atul Asher, honorary secretary, Indian Cotton Federation.

According to the latest report of the United States Department of Agriculture (USDA), 2017-18 cotton production is expected to increase because of a rise in the area under cultivation.

“Consumption is forecast higher also, both in China and the rest of the world. Trade is forecast up as stronger imports by Vietnam and Bangladesh more than offset lower imports in India, Pakistan, and Mexico,” said the report.

“For 2016-17, global use is raised, while production is down marginally, resulting in lower global ending stocks,” according to the report.

Source: economictimes.com- June 05, 2017

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## GST rates for knitwear production chain to create more complexities

Varied Good and Services Tax (GST) rates set for different segments of ‘knitwear production chain’ looks to create complexities in a cluster like Tirupur and also a consequential fear among the apparel exporters of a possible shrinkage in profit margins.

The main annoyance of the exporting community and technocrats is the lack of clarity on the fate of the duty drawback scheme post implementation of GST regime.

“Unless the duty drawback rates are made clear, the profit margins can shrink. It is because the central excise, and the service tax components in the drawback are going to get integrated with the GST and only the customs duty component that comes to just over 2 % will be there outside the GST purview”, pointed out Tirupur Exporters’ Association president Raja Shanmugam.

“Tirupur exporters might not be able to pass on financial burden arisen by cut in refunds, to the buyers. Global market is price sensitive and many of our competitors are already enjoying preferential trade tariffs”, said S. Dhananjayan, a senior chartered accountant and financial advisor to many industrial bodies.

The different GST scales fixed for various processes in the apparel production chain is going to have ramifications considering that the production chain in Tirupur cluster remains mostly disintegrated.

“Complexity will arise as job works are going to be taxed at 18 % even though garments attract only 5 %. In Tirupur, processes like dyeing, knitting, fabrication and printing among many others were being carried out as job works,” said Mr. Dhananjayan.

**Special Correspondent adds from Coimbatore:** Chairman of Confederation of Indian Textile Industry J. Thulasidharan said the 18 % GST rate on man-made fibre and synthetic yarn would have inverted duty structure problem as the fabric was under the 5 % rate.

The high rates for man-made fibre and yarn would lead to an increase in input costs and adversely affect the synthetic sector. The Indian textile and apparel sector faced competitive challenges from the neighbouring countries and keeping the tax rates high will only escalate textile inflation.

Welcoming the low rate for cotton textile sector, Mr. Thulasidharan said the Government should reconsider the rates of MMF products and bring it to 12 %.

Source: thehindu.com- June 05, 2017

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## Export volumes rose in FY17 on low commodity prices

Merchandise export value may have grown just 5% in 2016-17 after two successive years of contraction, but volumes of outbound shipments rose for most goods at a faster pace, showed the data compiled by the commerce ministry. This indicates fluctuations in global commodity prices continue to influence India’s exports value more than any worthwhile slowdown in overseas demand.

As many as 19 of the top 30 commodity segments (in which data in both volume and value terms are available) witnessed export volumes either rising at a faster pace or dropping at a slower rate than the shipment value in 2016-17.

Similarly, 21 of these 30 commodity segments—including petroleum products, iron and steel, marine products, spices, buffalo meat, aluminium— registered growth in export volumes in 2016-17, against 15 in the previous fiscal. These 30 segments together accounted for 45% of the total exports value (in dollar terms) in the last fiscal.

Even in 2015-16, the global commodity price crash was the main driver of a 16% contraction in export value, as export volumes in many cases had increased, showed the data.

The commerce ministry has compiled volume data on 99 of the 168 principal commodity segments.

Volumes data are not available in all cases as even within a particular segment, commodities are measured by different units and are not strictly comparable. In certain cases, a finished product (hand-crafted gold or diamond jewellery, for instance) has different commodities as inputs.

The rise in merchandise export volume mirrored the phenomenon after the global financial crisis, when exports value suffered but volumes remained almost stable (in 2009-10). In good years, though (for instance, 2010-11, when export grew nearly 40% in dollar terms), the rise in export value was driven by a broad-based and an even sharper rise in volumes.

Interestingly, export volume of iron and steel products jumped almost 91% to 14.45 million tonnes last fiscal, while growth in value term was around 59% ($8.73 billion). Similarly, despite an almost 4% fall in value, the volumes of buffalo meat exports rose in 2016-17–albeit marginally by 1.2% to 1.31 million tonnes.

In 2015-16, too, when commodity prices had plunged, certain items—primarily the value-added ones–such as drug formulations, biologicals, bulk drugs, drug intermediaries, spices, coffee, unmanufactured tobacco managed to beat the global crash in commodity prices, as export value of these products had risen even when volumes shrank (in the range of 1.2-44.8%).

Global commodity prices plunged 28% in 2015-16 from a year before, driven by a sharp 40% crash in prices of oil, 20% in industrial metals and 7.5% in gold, according to a report by Yes Bank.

Consequently, roughly 55% of the $48-billion fall in India's exports in the last fiscal was caused by lower petroleum exports.

So while the country's overall exports plunged almost 16% in dollar term and 10% in rupee term, excluding oil, the exports dropped just 8.7% in dollar terms and just 2.1% in rupee terms.

Export value of both goods and services (in real term) rose 4.5% in the last fiscal, against a 5.3% drop in 2015-16, showed the latest GDP data.

Source: financialexpress.com- June 05, 2017

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