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IBTEX No. 67 of 2019 April 01, 2019

USD 69.26| EUR 77.83 | GBP 90.40 | JPY 0.62

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
21244	44400	**81.80**

Domestic Futures Price (Ex. Warehouse Rajkot), April

Rs./Bale	Rs./Candy	USD Cent/lb
21490	44914	**82.75**

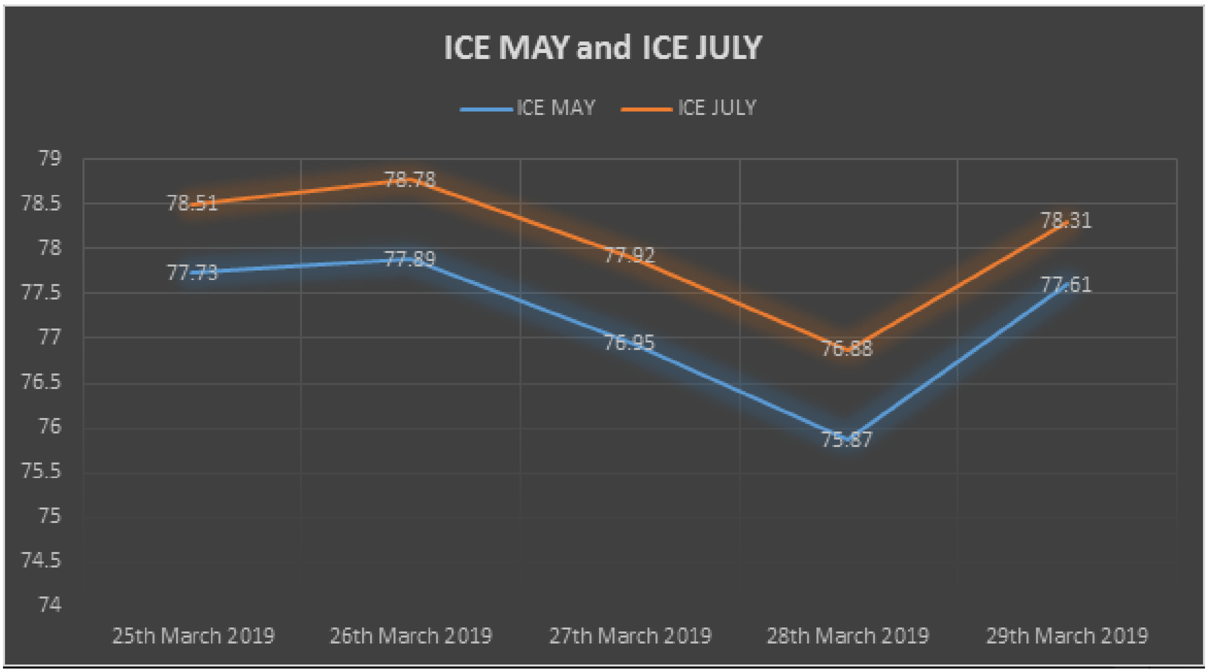
International Futures Price

NY ICE USD Cents/lb (May 2019)	77.61
ZCE Cotton: Yuan/MT (May 2019)	15,055
ZCE Cotton: USD Cents/lb	101.74
Cotlook A Index – Physical	**85.30**

Cotton Guide: The USDA Prospective Planting report displayed US cotton plantings to be at 13.8 million acres in 2019, which is down by 2 percent as compared to last year. The figure for upland planting is expected to be total 13.5 million acres, down 2 percent from 2018. American Pima area is expected to total to 255,000 acres up 2 percent from 2018. The largest reduction was noted in Texas where cotton acres in 2019 are forecasted at 7.314 million versus 7.768 million last year. Most traders were expecting huge acreage but the planting intentions released came as a bolt from the blue. The traders who were expecting a bearish report maneuvered quickly to exit or reverse their positions.

The nearby futures gained strength as a result of the US Planting Intentions being on the lower side by 2 percent. All the futures settled with positive gains. The change noted for the Most active May future contract was +174 points with a settlement figure of 77.61 cents/lb, whereas the July contract settled at 78.31 cents/lb with a change of +143. This morning the ICE May futures have lost some ground and are trading at 77.30 cents/lb. The cotton futures can rally forward as now the center of attention would be towards weather conditions. Also the May contract figure rose above the 100 day moving average which was around 76.15 cents. Whenever this happens, the speculators consider this as a bullish signal.

The ICE futures lowest settlement figure for this week was at 75.87 cents/lb. For a couple of days the prices rallied at the start of the week, then later for a couple of days they declined to hit the week's low. The prices hit 77.61 on Friday with bullish US Planting intentions.

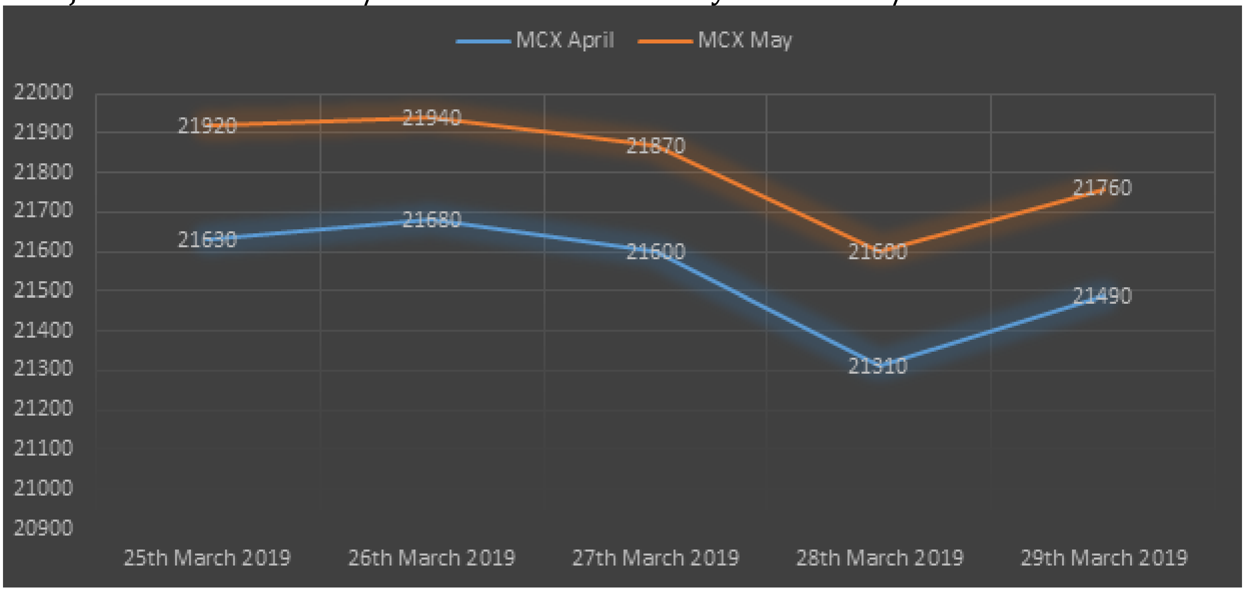


The MCX contracts on Friday, settled with gains overall. The April, May and June contracts settled with +180, +160 and +120 Rs respectively. The closing figures were 21490, 21760 and 22040 Rs/Bale respectively.

During the previous week we saw prices for the MCX April contract with a lowest settlement figure of 21,310 Rs/Bale and the highest settlement figure of 21,680 Rs/Bale.

The estimated arrivals are around 85,500 lint equivalent bales (source cotlook) which includes 31,000 registered in Maharashtra, 24,000 in Gujarat and 12,000 in Andhra Pradesh.

The arrival figures during the previous week have been subdued within 100,000 lint equivalent bales. The average prices of Shankar 6 are around 44,400 Rs/Candy. The domestic spot prices might rise higher to reach 45,000 Rs/Candy. The cotlook Index A is adjusted to 85.30 cents/lb which has declined by -1.00 cents/lb.



An important point to note: WTI Crude has crossed its mark of 60 $/Barrel and has currently touched a new high of 60.58 $/Barrel.

On the technical front, ICE Cotton futures is trading in a upward sloping channel, however during the previous week prices have touched the upper band of the channel & have retraced back. Still prices are above the weekly Exponential moving average of 13 & 26 (75.53, 76.74). The momentum indicator RSI is at the level of 51, indicating the intermediary correction for the prices.

The next support for the prices is at 75.95 & the resistance 78.35, close above the channel would initiate the intermediate bullish trend. From the above analysis, we expect ICE Cotton to trade in the range of 78.50-75.90 for the week with sideways to positive bias. In the domestic market April futures is expected to trade in the range of 21200-21800.

We expect the international and domestic future prices to be range bound for today.

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

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INTERNATIONAL NEWS

Trade war poses biggest risk to global stability: IMF

The US-China trade war poses the biggest risk to global stability and fiscal stabilisation is crucial to respond to macroeconomic shocks in Europe and improve the fiscal-monetary policy mix, IMF's first deputy managing director David Lipton has said.

Brexit is breeding uncertainty and the United States also needs to get its fiscal house in order, he said.

"In its absence, the euro area will remain over-reliant on monetary policy for stabilisation and too much of the burden of crisis response will fall on individual countries, with their ability to respond depending on each country's fiscal space," global newswires quoted Lipton as saying.

Lipton was speaking at a conference in Lisbon recently.

Each EU member state should 'strengthen their defences ahead of a potential downturn'. These include countries like Italy that have not addressed 'glaring vulnerabilities', he said.

"A serious recession could be very damaging for these countries, because they will be shown to be ill-prepared," he said.

"Their weaknesses could present a serious setback for Europe's goal of convergence of standards of living, productivity, of national well-being," he added.

Source: fibre2fashion.com - Apr 01, 2019

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USA: Companies See Success With Digital and Blockchain-Based Global Trade Finance

Trade financing is a big deal in the highly global apparel industry. Modern tools like digital, cloud-based software and blockchain can help businesses get the funding they need faster than ever.

RTS International, for example, is managing $1 billion in financing on the cloud-based Infor Nexus trade platform.

Fashion suppliers in Africa, the Americas, Asia, Europe and the Middle East turn to RTS, which specializes in factoring for global apparel and footwear businesses, for pre- and post-export financing. "Plugging into Infor Nexus's digital platform has enabled us to become a strategic partner to our customers, while enabling us to increase revenue and reduce risk and costs," Luis Mondragon, RTS vice president, said in a statement.

An Infor Nexus user since 2010, today RTS works with more than 100 buyer communities. Infor Nexus automates the three-way buyer-supplier-RTS relationship, from processes and communications to how critical trade documents are transmitted. This approach ensures visibility and transparency, and speeds up approvals and settlements.

"We can leverage a supplier's transactional and milestone data to deliver unique and creative financing. Capital is provided based upon the credit of the buyer, not the supplier's balance sheet, without assuming new debt," Mondragon noted. "Infor Nexus's electronic document management and digitization tools automate approval processes and increase days of available funding, allowing us to finance shorter-term maturities that are not possible in a traditional paper environment."

Anoop Dhanda, finance director for Orient Craft Ltd., says RTS helps his company reduce the risk of disruptions to its cash flow and offer immediate liquidity, helping the supplier make better use of its banking limits.

"We recently started a relationship with RTS International to factor invoices from our customers, such as Zara and Abercrombie & Fitch," Dhanda added. With Infor Nexus as its single network, Orient Craft, which produces ready-made garments and home goods to U.S. and U.K. retailers, is able to manage numerous factories and customers access capital all in one place.

Companies that move from error-prone manual processes to a digital platform can better ensure they're compliant with international rules and regulations, according to Infor's EVP of manufacturing and supply chain Rod Johnson.

"Customers on our network benefit from a single platform delivering multiple forms of credit risk products, such as payment assurance and factoring; or trade finance solutions for pre-shipment, receivables, payables and inventory financing," Johnson noted. "RTS International was an early adopter of digital trade financing technology and has leveraged it as a catalyst for business growth."

In the third quarter of this year, seven banks expect to launch a digital trade finance network. The participants signed a memo of understanding for the initiative last fall, including The Australia and New Zealand Banking Group ANZ, Banco Santander, BNP Paribas, Citibank, HSBC, Standard Chartered and Deutsche Bank. A Banco Santander manager told Reuters in October that the goal of the alliance was to reduce the barriers for companies involved with global trade to secure financing.

Notably, earlier in the year Banco Santander dabbled in a trade initiative involving blockchain, a technology that Bain & Co. seems to think might be the answer to some of the challenges inherent to movement of goods around the globe.

In July Banco Santander, a founding partner of blockchain-based we.trade, announced it had conducted the first blockchain trade transactions in its home country of Spain. we.trade is a joint venture between Deutsche Bank, HSBC, KBC, Natixis, Nordea, Rabobank, Santander, Société Générale and UniCredit.

"The we.trade platform is a live blockchain based trade platform. These transactions prove that we.trade is a robust and commercially viable proposition," we.trade COO Roberto Mancone said in a statement.

"We are delighted to have launched for the first time in the world, a blockchain based platform that enhances the overall customer experience when trading internationally. The next step will be getting buy-in from additional banks and their customers in Europe and further afield."

For its part, Bain estimates that incorporating blockchain into global trade activities could add $1.1 trillion to trade volumes by 2026, above the $16 trillion estimate for 2018. Bain described how nearly a year ago HSBC and ING enabled the first blockchain transaction for trade finance, taking less than 24 hours to settle the payment to Cargill for a soybean shipment versus the typical 5- to 10-day standard for manual, letter-of-credit transactions.

Source: sourcingjournal.com- Mar 30, 2019

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China factory activity up after four-month slide

China's manufacturing sector ended its four-month downward trend in March, official data showed Sunday, but exports continued their long slide in the wake of the Washington-Beijing trade war.

The official Purchasing Managers' Index, a measure of factory activity, rose to 50.5 in March from the previous month's contraction and three-year low of 49.2.

The growth was likely driven by seasonal factors as factories ramped up production after February's Lunar New Year holidays.

Some steel mills and coal power plants also increased output as winter smog restrictions end.

Factory output also grew at its fastest pace in six months in March, China's National Bureau of Statistics reported, but export orders shrank for the 10th straight month amid slowing global growth and as collateral damage in the trade spat the United States.

Over the last eight months, Washington and Beijing have slapped tariffs on more than USD360 billion in two-way goods trade, weighing on the manufacturing sectors in both countries.

US and Chinese negotiators wrapped up trade talks in Beijing on Friday ahead of another round next week, when China's economic tsar Liu He will head to Washington to continue discussions on a possible deal.

China has announced a raft of stimulus measures to cushion the impact from it's cooling economy.

Earlier this month, Premier Li Keqiang announced more spending on roads, railways and other big-ticket infrastructure projects, along with tax cuts worth 2 trillion yuan (USD297.27 billion) to ease pressure on companies and spur employment.

China announced a lower growth target of 6.0 to 6.5 per cent this year, down from 6.6 percent growth in 2018.

Source: business-standard.com- Mar 31, 2019

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Bangladesh: Businesses on same page with govt over VAT law

Businesses are on board with the government's plan to introduce four different rates of value-added tax (VAT) from July, clearing the way for the implementation of the much-talked about VAT law 2012.

As per the scheme, there will be four different rates of VAT applied on most of the goods and services under the existing VAT law 1991: 5 percent, 7.5 percent, 10 percent and 15 percent.

“We have agreed in principle and will fix the remaining issues later,” Shafiul Islam Mohiuddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, told reporters after a meeting yesterday with Finance Minister AHM Mustafa Kamal.

Representatives of the top trade bodies, revenue officials and Salman F Rahman, the prime minister's adviser on private industry and investment, were present among others at the meeting held on the premises of the planning ministry.

Over the next two months, the National Board of Revenue (NBR) in consultation with businesses will slot the sectors into the four VAT rates.

"Businesses have accepted the 5 percent, 7.5 percent and 10 percent rates of VAT," Kamal told reporters after the meeting.

The introduction of multiple rates would require amendment of the VAT and Supplementary Duty Act 2012 as it envisaged a uniform 15 percent rate, according to NBR officials familiar with the law.

The new law, which was framed at the prescription of the International Monetary Fund to boost revenue collection, was not received well by businesses.

It was scheduled for implementation under an automated environment from 2015 but was deferred on several occasions, with the most recent being in 2017 -- just days before it was due to take effect on July 1.

The government postponed its implementation by two years amid pressure from a section of businesses and lobby groups.

The 15 percent standard rate would remain in sectors such as cigarette, telecom and gas, said NBR Chairman Md Mosharraf Hossain Bhuiyan after the meeting.

"We will fix the rates of VAT in the budget proposal. We have also hiked the threshold of VAT-free turnover ceiling and decided to rationalise the turnover tax," Bhuiyan said.

The VAT-free turnover limit would be increased to 50 lakh from existing Tk 36 lakh, said a senior NBR official.

The ceiling of turnover tax would be increased to Tk 3 crore from Tk 80 lakh, and the rate of turnover tax would be hiked to 5 percent from 3 percent at present, he added.

"All will have to pay VAT," Bhuiyan said, adding that the government would provide electronic fiscal device so that the VAT paid by customers come to the state coffer.

Meanwhile, the budget for fiscal 2019-20 will be placed in the parliament on June 13, Kamal said.

"There will be nothing in the coming budget that will affect businesses. This government in no way will question business by anti-corruption commission, customs and police. It will also not think of sending business to prison," the minister added.

Source: thedailystar.net- Apr 01, 2019

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Arab official says Arab-China trade to exceed 300 bln USD by 2025

Khaled Hanafy, secretary general of the Union of Arab Chambers, said Saturday that China's trade with the Arab world will exceed 300 billion U.S. dollars before 2025.

"China is the world's second biggest economy after the United States and it is considered a good partner by Arab countries who wish to diversify export sources and attract Asian investments," Hanafy said during the China Lebanon Investment Forum.

He added that Chinese products are also popular in the Arab world, including Morocco and Tunisia.

"Chinese products, especially electronics, kids toys, house equipment and textiles, are popular in the two countries," he said.

Source: xinhuanet.com - Mar 31, 2019

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Vietnam's economy gains as companies flee China in trade war

GDP grew 6.79% in first quarter as exports to US surged

The U.S. trade war with Beijing continues to boost the Vietnamese economy as companies dodge tariffs by relocating production here from mainland China, fueling a sharp increase in exports to America.

Vietnam's real gross domestic product climbed 6.79% on the year during the first three months of 2019, the government said Friday. The country enjoyed its second strongest first-quarter growth in the past decade, surpassed only by the 7.45% rate in 2018.

Though January-March growth slowed from the 7.31% rate in the previous quarter through December, that period capped a full year when the economy grew by 7.08%, the largest annual expansion since the global economic crisis hit in 2008.

Exports to the U.S., the country's largest trading partner, jumped 26% on the year in the first quarter. Apparel performed particularly well as textile companies move operating sites to Vietnam from China, echoing a trend in other industries. Exports to China dropped by 7% amid the northern neighbor's economic slowdown.

The Sino-U.S. trade war will lift Vietnam's economic output by about 0.5 percentage point, the largest margin among Asian countries, Mizuho Research Institute predicts.

"Even if the global economy slows down, relocation from China will continue, and we can expect an offsetting effect to a certain extent," said Hiromasa Matsuura, an economist at the institute.

But Vietnam's overall exports rose just 4.7% during the first quarter, an outcome that owes almost entirely to Samsung Electronics. Foreign-owned enterprises are responsible for two-thirds of Vietnamese exports, and the South Korean technology group accounts for 40% within that category.

Samsung runs two smartphone factories in northern Vietnam. But the company reported a 30% drop in operating profit for the October-December quarter, and has issued a surprise warning about earnings for the first quarter of 2019. Samsung's financial woes have hurt Vietnam's GDP, and exports of cellphones and electronic components dipped 4.3% from a year earlier.

Underpinning the economy is consumer spending, which accounts for nearly 70% of the GDP. Final consumption expenditures, which include private consumption, gained by 7% in the first quarter.

Vietnam boasts the third-largest population in the 10-member Association of Southeast Asian Nations, along with an expansion of its upper- and middle-income earners. Vingroup, the nation's largest conglomerate, is opening convenience stores at a rate of 1,000 outlets yearly. That growth, along with the addition of new supermarkets, is helping boost private consumption.

The manufacturing industry grew 12.3%, thanks largely to the sector diversifying beyond Samsung. Vingroup put the nation's first electric motorcycles on the market in November, and the group will enter the automaking business in June. Vietnam's second-ever oil refinery, the Nghi Son Refinery, began commercial operations in December.

Source: asia.nikkei.com- Mar 31, 2019

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Bangladesh: Govt goal of earning $50b by exporting textiles by the year 2021

Bangladesh's textile industry has earned a good repute on global plane because of quality products, but factory-waste management found largely repugnant.

Apart from this sector, many other factories spew pollutants into local environs owing to disregarding the obligation for proper waste management in a haste involving the setting up of industries.

However, polluting environment is not an endemic problem in Bangladesh, greens say, it's rather a global concern as most developed countries are blamed for pursuing hedonistic policies in their development paradigm and, thereby, contributing hugely to environmental pollution and global climate change with greenhouse gases.

Proper, scientific effluent treatment is a must to avert polluting the environs with industrial exhausts, experts say. An expert study particularly on a number of textile factories has found out an ugly downside of lax waste management. Internally, says the recent study conducted by a BUET team, this sector poses a threat to environment by way of releasing untreated water into different water bodies around.

Prof Mohidus Samad, a teacher of the chemical engineering department of BUET, led the study team that, considering the present level of release of untreated water into the water bodies, predicated that every year from 2021 different water bodies would receive 20,300 crore litres of untreated water. Such toxic industrial wastewater would be threatening for fisheries, biodiversity, and groundwater, the researchers forewarn.

Currently, textile industries use, on average, 120 litres of water to dye and wash a kilogram of fabrics and effluents are discharged into nearby rivers or wetlands without proper treatment, the BUET study team observed.

"The untreated effluents could instigate quick changes in the aquatic ecosystems and have a high economic impact on fisheries. The warm wastewater might also increase the temperature of the water bodies and that could affect flora and fauna," says the study report.

Textile owners concerned are releasing untreated water into the water bodies in disregard of the Bangladesh Environment Conservation Act 1995 and the Environment Conservation Rules 1997. Using Effluent Treatment Plant (ETP) has been made mandatory both for the textile industry and the leather industry in the Act and the Rules. According to Bangladesh Textile Mills Association (BTMA) data, the country has around 450 spinning mills, 1,200 weaving factories, and around 5,000 export-oriented dyeing and finishing factories.

There are several thousand small dyeing and finishing factories catering the needs of local markets as well. Department of Environment (DoE) sources said only 1,376 textile factories had taken permission to install ETP in their factories. It shows a large number of textile industries run sans installing ETP.

The DoE has been empowered in both the Act and the Rules to shut down textile factories that run without ETP. Responsible DoE sources said if they acted according to the provision of the Act, that could be counterproductive to government goal of earning USD50 billion by exporting textiles by the year 2021.

“Unfortunately, political authorities have kept their eyes shut on the contribution of the textile sector to environmental degradation,” said one official concerned. Factories pumping out water for washing and dyeing fabrics have caused groundwater levels to drop in the apparel-industrial belts like Dhaka, Gazipur, Savar, and Narayanganj, the study team found.

It was also revealed that rivers and water bodies close by the textile industrial zones are the major receivers of unprocessed effluents. Many villages in Gazipur and the Dhaka-Narayanganj-Demra (DND) embankment areas are now exposed to environmental degradation.

By consuming and using stinking water for bathing, washing and for household work, marginal people, especially children, are reportedly suffering from various diseases.

The study draws attention of policymakers, textile engineers and environmentalists to the urgency of developing innovative technologies and policies for textile dyeing and effluent treatment in an eco- friendly nature.

A more scientific approach could reduce water usage by 23 per cent. The study also suggests ensuring individual accountability so that none can dump wastewater into the rivers without being treated.

Setting up central ETPs for clusters of factories is also recommended. On the other hand, old Dhaka's Hazaribagh and the Buriganga River nearby have been largely cleansed of pollution by untreated tannery wastes through eventual relocation of the tanneries to the Leather Industrial Estate in Savar area on the outskirts of the capital. But reports say ETP has not been set up in some units and also the central plant also has shortcomings.

As a result, lots of wastes are being discharged into nearby water bodies. "It's like relocating pollution," said many a green campaigner, including architect Mobassher Hossain. They suggest addressing this problem for the good of the industry itself and for public good at large.

Source: dailyindustry.news- Apr 01, 2019

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Pakistan to seek $1 bn export orders from China: Razak

Pakistan and China are set to sign the Free Trade Agreement (FTA)-II when Prime Minister Imran Khan will leave for Beijing on April 27 for three days wherein he will also attend the second OBOR (One Belt One Road) Forum for International Corporations. The much-awaited FTA-II, once it is signed, will help Pakistan double its exports to China, Razak Dawood, Adviser to PM on Commerce, Textile, Industry & Production and Investment, told The News in an exclusive interview.

"Finance Secretary Younas Dagha and Commerce Secretary Sardar Ahmad Nawaz Sukhera will off to China on April 9 wherein they will hold talks with top Chinese officials on the initial FTA-II accord.

However, on the sidelines of the OBOR Forum that will be attended by heads of states and delegates from over 100 countries, both the countries will ink the free trade accord-II in the presence of Prime Minister Imran Khan and Chinese President Xi Jingping," he said.

Pakistan will, the adviser disclosed, also place its request with top Chinese functionaries seeking another $1 billion order for exports to China out of the FTA-II agreement. Another $1 billion export order will help Pakistan triple its exports to China.

On November 9, 2018, he said, Beijing had placed the order with Islamabad of $1 billion exports to Chinese market. Under that particular order, Pakistan was to export sugar of 300,000 metric tonnes (MT), yarn 350,000 MT and rice 200,000 MT. Of $1 billion order, $300 million of rice and sugar will be exported by June 30, 2019. Almost 75 percent of the rice has been shipped and the rest of consignment will be completed by June 30, 2019. However, other consignments of sugar and yarn are to be executed by December 2019.

The exports to China currently stand at $1.2 billion which will surge to $2.4 billion after signing FTA-II, but out of second free trade deal, the target of export of $1 billion is to be executed by December, 2019 that will be followed by another $1 billion exports for which Pakistan will also request to China to extend order during the forthcoming visit.

About investment of $10 billion on establishing the deep conversion refinery and $1 billion on petro-chemical complex at Gwadar, Razak Dawood said that Pakistan experts' delegation is to soon leave for Saudi Arabia to have interaction with their counterparts to discuss the technical issues and once the specifications are finalised, it will be easy to help Saudi Arabia assess the volume of investment that is exactly to be required for the both refinery and petro-chemical complex. However, he hoped that feasibility study by Saudi experts will be completed in 12 months.

When asked if Pakistan has initiated any endeavour to increase its export to Saudi Arabia, the adviser responded that Saudi Arabian counterpart has clearly said that if Pakistani entrepreneurs are ready to meet requirements of its tariff regime, which has not changed for the last 20 years and quality standards, his country's doors are open. Now it is up to Pakistan's entrepreneurs to make inroads for their products in Saudi Arabian market keeping in view the Saudi tariff regime and its quality standards.

About the recently signed MoUs with Malaysian companies, during the visit of Prime Minister Mahatir Mohamad to Pakistan, the minister said that the said MoUs of $900 million are different as these were signed by private-to-private parties. The minister said he is 100 percent sure that MoUs valuing $900 million will be materialised and executed.

To a question, the minister brushed aside the impression that the government has abandoned the Look Africa Policy saying this policy is very much effective as Pakistan is currently exporting cement, and fully Pakistan made tractors to three African countries of Mozambique, Zambia and Kenya.

“I am much pleased that the engineering products like tractors are being exported without any subsidy to the said African countries,” the jubilant minister said and added that about 10,000 tractors would be exported by June 30, 2019. He said that cement export to African countries has surged manifold. The total exports of cement stands at $150 million.

“The export of cement has diverted to Africa because of slow down in construction activities in Pakistan and ban imposed by India on Pakistani products following Pulwama incident,” he concluded.

Source: thenews.com.pk- Apr 01, 2019

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Pakistan: The Brexit impact

Aa Brexit continues to be debated by the UK parliament, questions regarding the future of Pakistan’s trade with the United Kingdom, and opportunities present in the exit, abound. While some exporters are optimistic or indifferent, others see dark clouds looming ahead.

Currently, Brexit is in confusion. Little-loved British Prime Minister Theresa May had gone as far as to offer to step down if her twice rejected Brexit deal was accepted. However, not only was this option not taken up, the parliament also failed to agree on any one of at least eight possible ways forward, which included giving up on Brexit altogether.

As the episode unrolls, it is desirable for Pakistan to keep an eye on proceedings. At $1.7 billion in 2018, as per the International Trade Centre, the UK is the third most important destination for Pakistani exports. Courtesy of the GSP Plus, products of Pakistan’s export interest are entitled to duty free treatment. Given the confusion surrounding Brexit, the impact on the country's exports is unclear.

There appear to be mixed emotions amongst exporters regarding continuation of exports and opportunities present. The bulk of Pakistan's exports to the European Union (including the UK) consist of textiles and rice. While there may be a mild opportunity for an increase in rice exports, textile exporters remain on the fence.

"Though there is a big market for rice in Europe, we do not expect demand for Pakistani rice to be directly affected," said Rice Exporters Association of Pakistan (REAP) Chairman Safdar Hussain Mehkri.

Part of the rice milling capacity in the UK is used to export to Europe. Right now it does not face any tariffs but it is likely that post-Brexit, rice going from the United Kingdom to Europe will face some duties.

Meanwhile, Pakistan's exports to the EU will continue to be given duty free access under GSP Plus. Therefore, if the cost of UK rice goes up, Pakistan's rice exports may increase marginally to Europe, hoped Mr Mehkri.

On the other hand, the REAP chairman expected that some of the idle milling capacity in Europe may come into play as well since the UK's share may decline. In that case, the market size will remain the same without any significant impact on rice.

Previously, Pakistan had been able to increase its share of Basmati exports to the EU as the Union had revised the maximum permissible residue level of Tricyclazole from 1mg per kg to 0.01 mg per kg.

As Tricyclazole is the cheapest and most widely used fungicide in India, its Basmati rice was restricted under the revision, allowing the only other Basmati rice producer, Pakistan, to step in. If the UK lowers its food standards post-Brexit, then the additional market share could be lost. However, as yet various ministers have reassured that standards will not be revised.

The opinions of textile exporters vary. Muhammad Abid Chinoy, manufacturer and exporter of fabric and home textiles was wary of the new procedures that may come in place post-Brexit.

"It is going to be a new story with new procedures in place. Previously, if our exports did not find a market in one country in the EU, we could send them to the UK and vice a versa. However, with new procedures, conforming will be an issue. We would have to unpack cartons and change stickers and that is too long and too arduous a process to be carried out," he said.

However, Chairman Pakistan Hosiery Manufacturers and Exporters Association Muhammad Jawed Bilwani did not share Mr Chinoy's opinion. While doubting whether Brexit would even take place, Mr Bilwani said that even if procedures change, our exporters are savvy enough to comply with new regulations.

"Bangladesh will lose its GSP status the same as Pakistan, while China does not benefit from GSP, so it is not like Pakistan's competition will fundamentally change," he said. Furthermore, trade with the UK is already in pound sterling rather than in euros so there will be no currency change either, he added.

Home textiles exporter Muhammad Ahsan Shah saw little change taking place post-Brexit. While there is central buying for most countries within the EU, the UK does not avail itself of the option. So for example, if Pakistan exports to Carrefour or Makro, orders for their UK outlets are handled separately from those going to other EU countries, he explained. Therefore, it is unlikely to disrupt the current export procedures.

The Brexit confusion persists but the UK government has given repeated assurances that Pakistan will continue to receive the same level of access it did under the GSP plus scheme. This renders null any need of a free trade agreement with the UK for preferential access.

While there are some fears that new, unexpected, regulations may create a learning curve for exporters that could adversely impact the trade balance, Mr Bilwani asserts that changes will take place gradually.

From the date of Brexit to Dec 31, 2020, the UK and the EU have agreed that no major changes will take place so that businesses may adjust. This transition period will allow Pakistani exporters to learn the ropes and adjust protocols accordingly as well.

It could be argued that imposition of tariffs by the EU on the Kingdom, if that is the road that is chosen, could provide an opportunity for Pakistan's exports. However, other than a faint silver lining for rice, Pakistan and the UK's export profiles are diametrically different so there appears to be little chance of exports receiving a windfall in the form of Brexit.

Source: dawn.com- Apr 01, 2019

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Pakistan: APTMA suggests imposition of 200pc duty on Indian products

Following the imposition of 200pc duty by India on all items exported from Pakistan, the All Pakistan Textile Mills Association (APTMA) has suggested Advisor to Prime Minister on Commerce Abdul Razaq Dawood to impose a similar duty on all products originated in or exported from India.

In a statement issued on Saturday, APTMA asked for a 200pc duty on all imports from India to Pakistan whether they be duty paid or imported through a duty-free scheme.

“This step is important as after the Indian elections, India will reduce the duties to normal again. The situation will not be a tangible one for Pakistan if we don't impose the reciprocal duty right now,” it added.

APTMA noted that the balance of trade between the two countries was highly skewed in the favour of India, saying that the imposition of duty on Indian imports would help reduce the trade deficit in the short run.

“The Pakistani industry is resilient and can source the required imports from other sources,” the association stated. “This will also diversify our sources of import and will be beneficial in developing world-class and quality textile products.”

It is pertinent to mention that trade between Pakistan and India stood at $1.39 billion in the fiscal year 2017-18, with exports standing at $419.8 million as compared to $1.81 billion worth of imports. Similarly, the balance of trade in FY17 was $1.27 billion, as exports were recorded at $408.5 million while imports stood at $1.68 billion.

According to the documents available with Pakistan Today, major exports from Pakistan to India included edible fruits and nuts, peel of citrus fruit and melons, helping the country earn $119.9 million in FY18. Meanwhile, the export of salt, sulphur, stone, plastering materials, lime and cement in FY18 was recorded $96.9 million.

Moreover, the export of minerals fuels, mineral oil and bituminous substances stood at $84.6 million in FY18.

Also, fertiliser export in FY18 was recorded at $34.5 million, while that of raw hides, skin and leather helped the country earn $22.9 million.

Among major products that Pakistan imports from India, the import of cotton from was recorded at $510.5 million in FY18, organic chemicals $282.9 million, plastic and articles $107.4 million, machinery, mechanical appliances, boilers, parts $75.5 million and man-made staple fibres $74.7 million.

Reportedly, soon after the killing of at least 40 Central Reserve Police Force (CRPF) personnel in a suicide attack in Pulwama, the Indian government had withdrawn "Most Favoured Nation" status accorded to Pakistan. The Indian government had also imposed a 200pc import duty on all goods originating in or exported from Pakistan.

On the other hand, Pakistan had strongly rejected any insinuation that sought to link the attack to Pakistan without investigations. "We have always condemned acts of violence anywhere in the world," the Foreign Office maintained.

Source: pakistantoday.com.pk- Mar 30, 2019

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NATIONAL NEWS

Rising cotton price to hit margins of textile companies

Cotton, the key raw material for textile and apparel production, has become costlier by 6 per cent in March alone

India's cotton textile exports have jumped 12 per cent between April 2018 and February 2019

Rising cotton prices are set to hit profit margins of textile and apparel players due to their inability to pass on the high production cost on to consumers as seasonal demand is weak.

Cotton, the key raw material for textile and apparel production, has become costlier by 6 per cent in March alone due to lower output last year. Thus, the benchmark variety of cotton jumped to Rs 12,373 a quintal on Friday from Rs 11,698 a quintal in the beginning of the month. Experts believe the natural fibre will continue to move northward. Cotton yarn prices have also jumped 6-7 per cent across all varieties in March.

The industry uses only high quality cotton for technical textiles, which is why importing it for the garment and home textile sectors is not a viable option for Indian producers.

The United States Department of Agriculture (USDA) estimates India's cotton output at 5.9 million tonnes for 2018-19 as compared to 6.3 million tonnes for the previous year.

"While prices of both cotton and yearn have increased in the last few weeks, fabric prices remained stable which will definitely impact margins of textile companies. Cotton output in India is lower this year than last year. Most importantly, the quality of available cotton has also deteriorated," said R K Dalmia, President, Century Textile and Industries Ltd.

According to Rahul Mehta, President, Clothing Manufacturers' Association of India (CMAI), the textile industry works at a very thin margins of 2-3 per cent. "The raw material price rise of 6-7 per cent along with the increase in other cost is creating pressure on profit margins," he added.

Experts believe that the seasonal uptick in textile demand usually sets in around this time. However, the ongoing rural agriculture distress coupled with less availability of disposal income has lowered textile demand.

Meanwhile, China yarn demand remains healthy as destocking impact has ebbed, although players have yet to start restocking, given continued uncertainty around US-China trade talks.

Textile players, however, are set to post an overall growth in their sales in December quarter. Market leader Vardhman Textiles is set to post 12 per cent sales growth in March '19 quarter versus 6 per cent jump December '18 quarter.

"Improvement in yarn demand along with ebbing of China destocking pressures has supported yarn industry spreads. Further improvement in yarn spreads requires Chinese mills to commence restocking. Also, fabric spreads remain healthy on continued demand strength.

However, with no benefit of low-cost cotton inventory, Vardhman Textiles' March 2019 quarter profit margin is likely to moderate Q-o-Q to 18.5 per cent (similar to June 20118 quarter levels)," said Avi Mehta, an analyst with IIFL Securities Ltd in its latest report on Vardhman Textiles.

"The cotton season is coming to an end. Hence, prices of cotton and yarn have risen in the last few weeks.

Hence, downstream players are facing margins pressure as they cannot raise prices beyond a point," said Dr. Siddharth Rajagopal, Executive Director of Cotton Textile Export Promotion Council (Texprocil).

India's cotton textile exports, however, have jumped 12 per cent between April 2018 and February 2019. Rajagopal estimates the same growth rate to continue in the next few months.

Source: business-standard.com- Mar 30, 2019

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India offers $100 million credit to Bolivia for development projects

Kovind is on a three-day visit to Bolivia, the first high-level visit from India to the Latin American country since the establishment of diplomatic ties

India has offered USD 100 million credit to Bolivia after President Ram Nath Kovind held productive and extensive talks with his Bolivian counterpart Evo Morales here.

Kovind is on a three-day visit to Bolivia, the first high-level visit from India to the Latin American country since the establishment of diplomatic ties.

President Kovind held wide-ranging talks with his Bolivian counterpart Morales on a number of bilateral issues such as economy, space and IT.

The two leaders also reaffirmed their commitment to strengthen political and economic engagement.

The two sides also signed eight MoUs in various fields, including academics, space and medicine .

“We are happy to have Bolivia as a partner in the International Solar Alliance and welcome the signing of the framework agreement establishing the bond,” Kovind said in a statement.

In addition, the two countries signed MoUs in the fields of culture, visa waiver arrangement for diplomats, the exchange between diplomatic academies, mining, traditional medicine, establishment of centre of excellence in IT and bi-oceanic railway project, according to an official statement.

“The two countries agreed to further expand business ties in pharmaceuticals and health care; automobiles and engineering; machinery and textile; and metals and minerals,” it said.

President Kovind also addressed the India-Bolivia Business Forum on Friday and said that the two countries have their own economic strengths and they can complement each other in the mutual quest for growth and prosperity.

"Our joint participation speaks of our deep mutual commitment to strengthening business ties. The task ahead for us is clearly cut out. Our political ties are strong and growing, but we have to work a lot more, hand-in-hand to bring our economic partnership to the level of our mutual understanding," he said.

The event was partnered by Bolivian Chamber and Industry groups and the Federation of Indian Chamber of Commerce and Industry and the Confederation of Indian Industry.

The Indian president is accompanied by top executives of 30 Indian companies representing different sectors, including gold, mining, infrastructure, IT, automobile and energy.

"We want their ideas and enterprise to connect with Bolivian commerce and industry, to create new corridors of growth and prosperity," he added.

The President said that, "we have extended e-visa facilities covering business visits to all Latin American and Caribbean countries. We would be happy if our business community were encouraged with easier travel to Bolivia to plan and prospect better, and for us to deepen and strengthen our partnership."

Source: indianexpress.com - Mar 30, 2019

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Textile exports tax rebate plan on plate

The government is mulling the option of extending the RoSCTL scheme to all textile products

A scheme that offers rebate on all taxes at the central and state levels to the exporters of apparel and made-ups is likely to be extended to all categories of textile exports as an alternative to the MEIS scheme that must be withdrawn under WTO rules.

The government is mulling the option of extending the Rebate of State and Central Taxes and Levies (RoSCTL) scheme to all textile products. Under the scheme, exporters of garments and made-ups are reimbursed all un-remitted input taxes paid at the state and central levels.

"The Merchandise Export Incentive Scheme (MEIS) is not World Trade Organisation-compliant. There is need for a scheme which is acceptable globally and also provides a competitive edge to Indian exporters. The extension of RoSCTL to all textiles would help the sector. We are looking into that issue," a senior commerce ministry official said.

Once MEIS is withdrawn from the textile sector, it would be taken away one by one from the other sectors as well.

Under MEIS, claimed by the bulk of garments and textile exporters, the government gives incentives to exporters equivalent to about 4 per cent of their export value in the form of duty credit scrips that can be used to pay customs duties and are freely transferable.

As it is a direct export subsidy and the textile sector's phase-out period for such subsidies ended in 2018, it would have to be withdrawn soon.

India has moved above the threshold of per capita gross national income of $1,000, which makes it ineligible to offer export sops to any sector.

For the textile sector, officials said there was no room for extension beyond 2018 as exports officially crossed the threshold limit of 3.25 per cent of world exports in 2010 and the eight-year phase-out period is over.

A similar rebate on all embedded state and central taxes and levies is being discussed for other textile segments (fibre, yarn, fabric etc) also, officials said.

Ganesh Kumar Gupta, president of Fieo, told The Telegraph that the apex exporters' body "has pitched for the extension of the scheme to all textiles so that the labour-intensive sector is competitive in the global marketplace."

The RoSCTL scheme will benefit garments and made-up exporters as shipments from neighbouring countries such as Sri Lanka, Bangladesh and Vietnam enjoy zero duty access to the EU, which is the biggest export market for the domestic apparel sector.

Source: telegraphindia.com - Apr 01, 2019

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RBI seen cutting rate by 25 bps as industry slows

Retail inflation in RBI's comfort zone

A deceleration in industrial activity and the fear of a global economic slowdown are expected to prompt the Reserve Bank of India to cut the repo rate by 25 basis points in the monetary policy review scheduled on April 4.

Retail inflation staying below the RBI's 4-per cent target is a comfort factor for the central bank to put through a second rate cut on the trot. Market players say a rate cut to support growth will be opportune.

Industrial growth, represented by the Index of Industrial Production, dipped to 1.7 per cent in January from 2.6 per cent in December 2018.

Though the retail inflation, as measured by the consumer price index, rose to a four-month high of 2.57 per cent in February against 1.97 per cent in January, the reading is still lower than the RBI's inflation target of 4 per cent.

In its sixth monetary policy review, in February, the central bank had cut the repo rate from 6.50 per cent to 6.25 per cent. The repo rate is the rate at which the RBI provides funds to banks to overcome short-term liquidity mismatches.

Union Bank of India MD & CEO Rajkiran Rai G said: "Rate cut seems to be very much visible now. The last monetary policy committee (MPC) meeting talked about output gap (opening up modestly). I think the RBI was very clear last time when they spoke that they are trying to push growth. There are indications of global growth weakening. So, a rate cut will give a fillip to growth."

Stage ripe for larger cut

Soumya Kanti Ghosh, Group Chief Economic Advisor, State Bank of India, said: "Rural demand continues to look increasingly weak and fragile... Urban demand is also worrying. A deceleration in global trade growth is also impacting export outlook through the trade channel. Investment scenario, as can be inferred from order inflows, has declined in Q3FY19 by 20 per cent. Credit growth is not broad-based and is in selective areas.

“We expect at least a 25 basis points rate cut in the April policy (cumulative 50-75 bps over next 2/3 policies) though we believe the stage is ripe for a larger rate cut. If the rate cut is of 25 basis points only, then the RBI could indicate more cuts through a possible shift in stance/ policy statement.”

Source: thehindubusinessline.com - Mar 31, 2019

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How automation will affect the job market in India

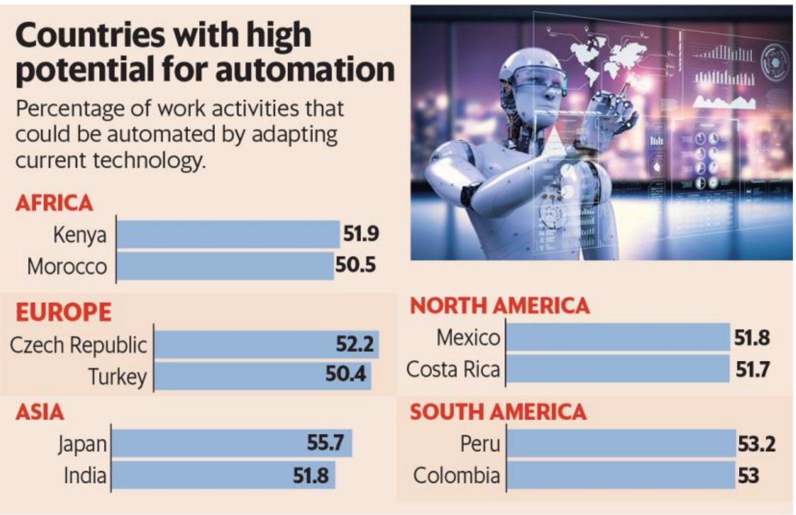
Automation has been a major worry when it comes to work and jobs. A recently released report by the International Labour Organization (ILO) dwells on automation and employability. Mint looks into what the report has to say about India.

What is the main point of the report?

The report titled “Changing Business and Opportunities for Employer and Business Organizations" lists the percentage of work activities that can be automated using current technology. In the case of India, 51.8% of activities can be automated. As the report points out: “Robotic automation is having the greatest impact, replacing low-skilled jobs and simple assembly tasks." Japan and Thailand run the risk of 55.7% and 54.8%, respectively, of their activities being automated. Over 40% of activities can be automated across the world. This is clearly not good news for the employed.

Who will be hurt by this automation?

The report says automation will likely impact “most jobs involving highly structured physical activity in predictable environments, such as manufacturing and retail, alongside data collection and processing". Jobs that have some semblance of a routine are more at threat than others. Also, automation threatens to impact women more than men, suggests the report. It points out that women “are a large component of the workforce in retail, business processing outsourcing and textiles/clothing/footwear". This is primarily because automation threatens sectors where women form a major part of the workforce.



What does the report say in the Indian context?

A significant point made by the ILO report is that 66% of Indian businesses are looking for quite a different set of skills among new recruits than they did three years ago.

What has been the impact of this around the world?

What is true about India is also true about other parts of the world. As the ILO report points out, “a large proportion of businesses in the United States of America (61%), Brazil (70%)... and Germany (65%) agreed that businesses are looking for quite different skills in new recruits". These businesses are not always able to find candidates with the new skills. For 53% of Indian businesses it has become harder to recruit people with the skills needed.

What does this mean for India?

India has an unemployment crisis. Over and above that, what this report suggests is that India also has an employability crisis. Even when firms have jobs on offer, they are unable to find candidates with the right skills who can take on these jobs.

A major reason for this lies in the fact that education systems are not well equipped to adapt to changes at the workplace. This has created another problem over and above unemployment.

Source: livemint.com- Apr 01, 2019

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Cotton prices to remain strong

The commodity has been a consistent performer for the past couple of years, and is expected to retain its firmness even in 2019

The future prices of cotton surged from a low of ₹19,970/bale in February to the high of ₹21,360/bale in March, mainly due to reports of an unexpected drop in output estimates and encouraging demand from China.

The commodity has been a consistent performer for the past couple of years, and as things stand today, it is expected to retain its firmness even in 2019, though with limited gains. However, the downside risks of a good monsoon bettering the crop's prospects, a stronger rupee and the expectation of China buying more cotton from the US may restrict the gain.

Worsening supply

The drought-like condition prevailing in key cotton-growing regions and pest attacks have raised concerns about actual output, and many expect India to produce a decade-low output. Scanty rainfall in September coupled with a dry October prompted farmers to uproot half of their planted crops after second pickings due to stunted growth of cotton balls and to avoid pink bollworm attack. Generally, the growers carry out four to five pickings in a cotton crop.

As a result, the Cotton Association of India (CAI) in its last committee meeting held on March 1 further lowered the output estimates for the current season to 32.8 million bales, down 10.13 per cent from last year. CAI has been continuously trimming its projections every month since October 2018.

It estimates effective supply for the season at 38.3 million bales against the demand of 36.6 million bales, leaving the closing stock by September 30 at 1.7 million tonnes — a 40 per cent disappearance of stock over 2018 — clearly indicating a tight supply. The government's figures are even more pessimistic at close to 30 million bales.

Despite unfavourable weather this season, there has been only a marginal reduction in acreage, due to a significant hike of 26 per cent in the minimum support price.

Till February-end, more than two-thirds of the total estimated crop size had already arrived in the domestic market. Before prices witnessed an upside in March, the increasing arrivals, poor off-take by mills, sluggish export demand and weak global cues had led to a correction in prices. MCX future prices touched a 10-month low in February. However, aggressive buying by the government, amounting to 1.16 million bales, provided support to the falling cotton prices.

Apart from the government's supporting efforts, a revival in export demand from China boosted market sentiments, which had been impacted after India halted exports to Pakistan following the Pulwama attack.

India has already shipped 600,000 bales of cotton to China since the start of the season and has further contracted 800,000 bales to be exported in the coming months due to a jump in the prices at local markets in China. However, tight domestic supply, robust prices and an appreciating rupee are likely to limit the export numbers down by 28 per cent compared with 2017-18.

On the other hand, the international market has shown a renewed strength in cotton prices this month on account of easing China-US trade tensions. However, the latest USDA report forecasts an increase in global harvest of cotton to 118.9 million tonnes with most of the rise coming from the US and Brazil. Global consumption is expected to continue growing but at a slightly lower rate. This may restrict any sharp gains.

According to USDA, the world trade in cotton is expected to expand, and much of that increase is expected to come from China. China has not bought any US cotton this year, but low prices of US cotton and an anticipated conciliation in the US-China trade tiff are expected to bring positive sentiments in the international market. However, a deteriorating macroeconomic situation may cap the demand for cotton.

Outlook

Cotton prices are expected to remain firm on account of tightening domestic supply due to expectations of a significant drop in harvests, lower stocks and firmer demand. However, as always, weather will remain a watch factor — normal monsoon as predicted by the IMD subject to a weak El Nino effect may substantially correct cotton prices.

Source: thehindubusinessline.com - Mar 31, 2019

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DPIIT defining 'accredited investors' to boost investments in startups

The department, under the commerce and industry ministry, has already prepared a draft definition and is now seeking views of stakeholders

The Department for Promotion of Industry and Internal Trade (DPIIT) is working on a definition of 'accredited investors', who could be provided tax incentives for investments in startups, an official said.

The department, under the commerce and industry ministry, has already prepared a draft definition and is now seeking views of stakeholders.

The official said these accredited investors, which can include trusts, individuals, family member of a startup and unlisted companies, may get the exemption from angel tax under Section 56(2)(viib) of Income Tax Act, 1961, beyond the Rs 25 crore limit.

Currently, the government allows startups to avail full angel tax concession on investments up to Rs 25 crore.

Besides this, three categories of investors with a specified limit of turnover and net worth -- listed companies, non-residents and alternate investments funds category I like venture capital funds -- also get an exemption from angel tax on investment beyond Rs 25 crore.

Section 56(2)(viib) of Income Tax Act provides that the amount raised by a startup in excess of its fair market value would be deemed as income from other sources and would be taxed at 30 per cent.

Touted as an anti-abuse measure, this section was introduced in 2012. It is dubbed as angel tax due to its impact on investments made by angel investors in startup ventures.

Startups also enjoy income tax benefit for three out of seven consecutive assessment years under section 80-IAC of the Act. To get this benefit, they need to seek the exemption from an inter-ministerial board.

An angel investor is the one who put funds in a startup when it is taking steps to establish itself in the competitive market. Normally about 300-400 startups get angel funding in a year. Their investment in a unit ranges between Rs 15 lakh to Rs 4 crore.

"We are seeking views of stakeholders on the definition of accredited investors. They will be exempted from section 56 (2) (viib). We will define it as a separate category like listed companies," the official said.

Earlier this month, the DPIIT has also held consultations with startups, investors, and officials of Central Board of Direct Taxes and Securities and Exchange Board of India (Sebi) to discuss ways to increase the flow of funds to budding businesses.

"There is a need to incentivise investments in startups and the government is committed to removing all impediments," as per the official.

As many countries provide tax and other incentives to angel investments into startups, the government is also looking at those.

Source: business-standard.com - Mar 31, 2019

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Tax refund in the works for exports to US

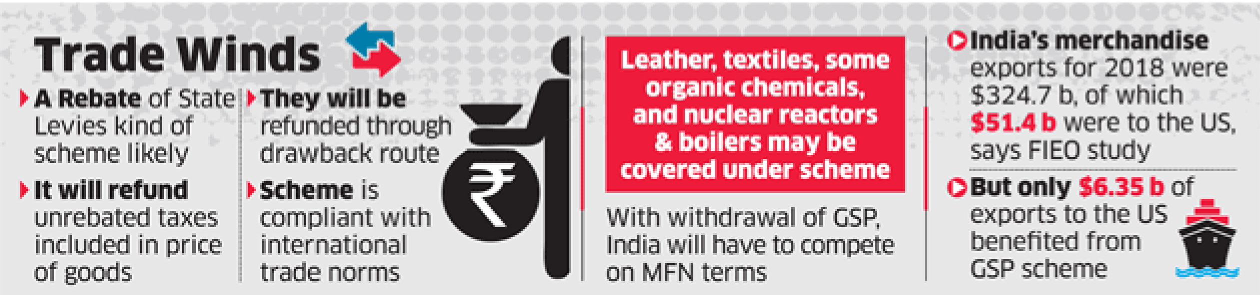
A Rebate of State Levies kind of scheme would help exporters and ensure India’s shipments don't fall.

The preferential tariffs under the GSP on Indian exports range between 1% and 6%.

The government is considering a scheme to refund taxes imposed on India’s exports to the US that will suffer loss of competitiveness once the concessional duties enjoyed under the Generalised System of Preferences (GSP) are withdrawn.

A Rebate of State Levies (ROSL) kind of scheme, which would refund unrebated taxes that are included in the price of goods, would incentivise exporters and ensure India's shipments do not drop. The unrebated taxes would be refunded through the drawback route.

"Leather, textiles, some lines of organic chemicals, and nuclear reactors and boilers are some sectors that are likely to face a disadvantage. The government may consider ROSL for these sectors," an official in the know of the development said.



While most Indian exports are incentivised through the Merchandise Exports from India Scheme, the programme has been disputed by the US for violating the World Trade Organization (WTO) rules.

ROSL is compliant with international trade norms and found favour in mid-term review of the Foreign Trade Policy. The scheme should take into account the needs of the energy-intensive sectors and states with poor infrastructure, the government had noted in the review.

The industry has identified basic and processed food, imitation jewellery, leather articles (other than footwear), pharmaceuticals, chemicals and plastics as sectors that would get hit the most with the preferential tariffs in the post GSP era.

"In the event of withdrawal of the GSP, India will have to compete on most favoured nation (MFN) terms. About 60% of the US imports take place on MFN duty," Federation of Indian Export Organisations (FIEO) said in a study.

The MFN rates on these exports are between 4.8% and 6.9% but on certain lines such as par boiled rice and some kinds of silver jewellery, the duty is as high as 11%, leaving a huge tariff gap between preferential and actual duties.

The preferential tariffs under the GSP on Indian exports range between 1% and 6%.

“Looking at the tariff advantage, some sectors may not be able to absorb it. So, some handholding is required,” said Ajay Sahai, director general, FIEO.

As per the study, India’s global merchandise exports for 2018 were $324.7 billion, of which $51.4 billion were to the US. However, only $6.35 billion of exports from India to the US benefited from the GSP scheme. Such exports were covered under 1921US tariff lines.

In March, the US had announced withdrawal of special duty benefits available to India, saying the country levied high duties on its exports. The GSP benefits will end in 60 days from the announcement.

Source: economictimes.com - Apr 01, 2019

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Key changes to income-tax norms, GST law kick in today

Crucial changes to taxation laws come into effect from April 1. While one set relates to income tax, the other concerns the Goods and Services Tax.

Income tax

As announced in the interim Budget, there is no change in the slab/rate of income-tax, but only in the rebate system, and the new norms kick in from the assessment year 2020-21 — that is, financial year 2019-20 beginning April 1. The rebate is available for those with a taxable income between ₹2.5 lakh and ₹5 lakh.

Currently, they pay a tax of up to ₹13,000 (including the 4 per cent cess). In the new mechanism, this liability will be down to zero. For this, the tax-payer has to be under the TDS (tax deducted at source) regime, and must file I-T returns and claim the rebate.

According to the government, the new proposal will provide tax benefit of ₹18,500 crore to some 3 crore self-employed, small businessmen/traders, pensioners and senior citizens.

The other changes relate to the Standard Deduction and TDS threshold for interest and rent income.

For salaried persons, the Standard Deduction is being raised to ₹50,000 from ₹40,000. This will provide tax benefit of ₹4,700 crore to over 3 crore salary earners and pensioners.

For interest income (earned through deposits in banks and post office), the TDS threshold will be ₹40,000 against ₹10,000. Similarly, the TDS threshold for deduction of tax on rent will be ₹2.40 lakh from ₹1.80 lakh now.

Also, the new norm for exempting income tax on notional rent on a second self-occupied house comes into effect from Monday.

GST on flats

The Finance Ministry has already notified norms for levying lower GST on under-construction flats. The new rates are 1 per cent for affordable houses and 5 per cent for others.

This reduced rate will also be applicable to projects that have allocated up to 15 per cent of the carpet area for commercial purposes (shops, offices, etc). There will be no input tax credit.

Ongoing projects must decide by May 10 whether to continue with the old scheme or to shift to the new rates.

The Ministry has also clarified that input tax credit will first be utilised to pay the integrated tax, and any remaining amount can be used to pay Central and/or State/Union Territory tax in any order. Experts say this will benefit all industries.

Source: thehindubusinessline.com - Apr 01, 2019

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How Arvind Ltd is betting on newer businesses to move up the value chain

Technical textiles are now Arvind's bigger bets, along with water and wastewater treatment

Blue jeans have been synonymous with for more than three decades. After all, the 88-year-old Ahmedabad-based textile company was the first to manufacture the indigo-dyed blue denim cloth in the country.

Sanjay Lalbhai, 62, now chairman of Arvind, recalls how the first lot of indigo-dyed denim, made by Arvind sometime between late 1985 and 1986, was technically not denim at all. A thick white cotton twill was printed indigo-blue using a saree-printing machine and then tested to see if it washed like denim.

Lalbhai explains that for a fabric to be considered authentic blue denim, the warp or the longitudinal yarn in the fabric has to be dyed with indigo before the weaving. The transverse thread, or the weft, must be white. The afterwash look of the fabric is the key.

By 1986, the Arvind top brass had been mulling over denim options for two years. That journey had started a few years earlier when former adman-turned-entrepreneur Rajiv Badlani set up the Flying Machine jeans brand in 1980. Badlani, who had married into the Lalbhai family, was importing denim to make Flying Machine as suitable material was not available in India. He wanted Arvind to make denim in India. Arvind, on its part, was looking for a product to take on the competition in textiles, which was becoming more and more commoditised.

The company, then called Arvind Mills, acquired Flying Machine in 1984. But the equipment needed to make authentic denim required big investments and no one was sure it would work. Therefore, the first “India-made denim” came out of a saree-printing machine, and went on to become Flying Machine jeans.

The brand's success led Arvind to invest in the technology required to make denim in 1986 and set up India's first denim manufacturing plant, at Naroda Road in Ahmedabad.

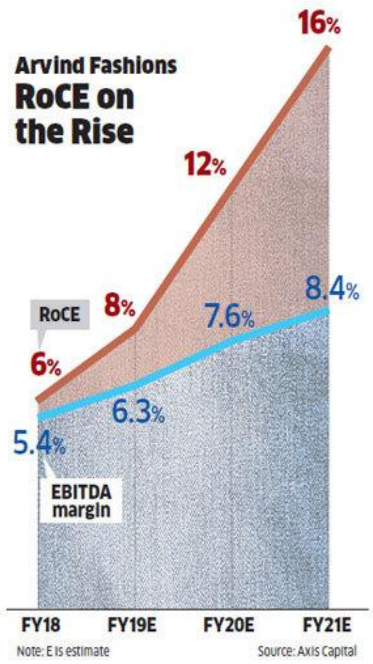
By March 1987, Arvind Mills was producing authentic denim. Since then, the Naroda factory has seen many innovations in fabric weaving and dyeing — for instance, the use of a rota-spray machine for space dyeing hand woven ikkat. However, Arvind's most advanced weaving unit today is in Gandhinagar's Kalol, about 23 km from Naroda.

Set up in 2011 with German company PD Composites, the joint venture weaves glass fibre into technical textiles. Glass fibre textiles are used to make factory-wear, auto-interiors and windmill blades, as well as structural pieces that can be used to make ladders or even bridges. The two units look vastly different. While the one in Kalol is clean and modern, the one in Naroda is a typical old textile mill. White, the colour of glass fibre, dominates the new factory, whereas indigo dye dominates the fabric and walls at the Naroda unit.

If denim was Arvind's big bet in the 1980s, technical textiles are one of its bigger bets now, along with other businesses such as water and wastewater treatment as well as garment production for international players. These could be the future of Arvind Ltd, which completed a three-way division of the company in November 2018.

The branded retail play (which includes Arrow, GAP, Tommy Hilfiger and Flying Machine) is Arvind Fashions Ltd and the much smaller engineering arm has been hived off as Anup Engineering. More than 60% of the value of the original company has now moved to the branded retail arm.

Arvind Ltd now wants to use the textile business to fund newer businesses. But the key trick will be to ensure there is a balance between older businesses that provide a higher return on capital and the newer ones that need investments to ensure minority shareholders get their due.



Lalbhai says: "The demerger was logical. Shareholders had invested in Arvind because they wanted to be invested in one of the different businesses. A collection of mature businesses did not make sense, either for shareholders or for analysts. The demerger was aimed at unlocking value."

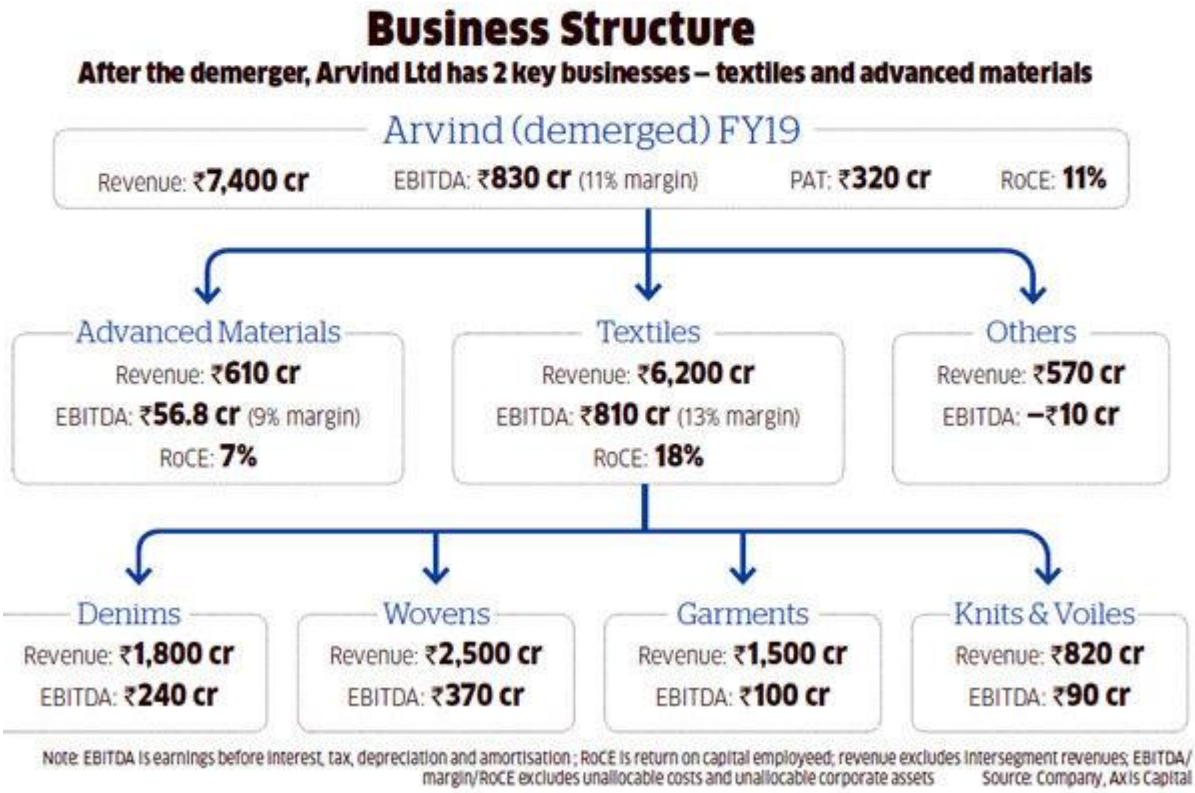
When other businesses mature, he says, they can also be spun off, just like the brands business. The importance of branding is not lost on the Lalbhais, the descendants of royal jewellers of the Mughal era. Their family surname was Sheth. However, in the 1960s, they decided to use Lalbhai as the surname after Lalbhai Dalpatbhai — the great-grandfather of Sanjay Lalbhai who set up the Saraspur Manufacturing Company in 1897 to produce cotton yarns, thus starting the Arvind legacy.

In an interview with ET Magazine, Lalbhai says he dropped Sheth from his name while in school. But he signs his name as Sanjay Shrenik, using his own father's name as the second name. "My father would also sign as Shrenik Kasturbhai, using only my grandfather's name." But his sons Kulin and Punit use Lalbhai in their signatures.

The demerger of surnames aside, a question everyone is asking is if splitting the company had something to do with a succession plan for Kulin and Punit, both in their thirties. There is already a certain visible division of work between the brothers.

Punit Lalbhai deals with advanced materials and new businesses such as water, while Kulin Lalbhai focuses more on Arvind's branded business as well as the corporate functions. Father Sanjay says the trinity operates the arms of the companies together. He stresses that there is no "artificial division" in the business.

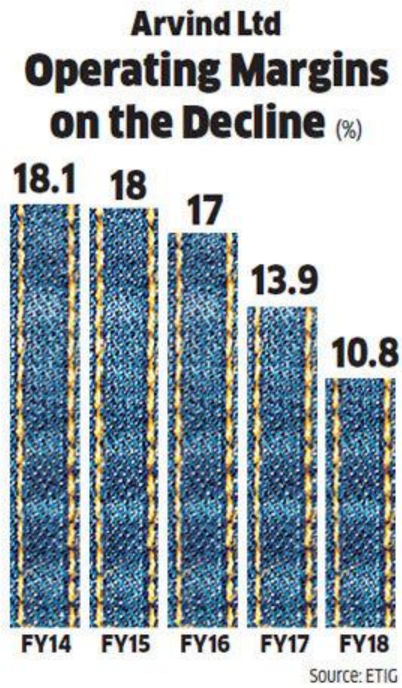
"There are certain areas that Kulin and Punit work on, four or five areas each. But there are also functions that cut across companies. As a group we have always believed in letting professionals run the business. Not just now, but from my grandfather's time. We come in when the promoter's intervention can be useful and effective," the senior Lalbhai says.



The Lalbhais classify their businesses into three categories: mature businesses like textiles (denim, wovens, voiles); garments business or ones that promise great value creation like brands and engineering; and finally water, glass fibre textiles and Arvind Internet, the digital business that helps offline retailers migrate to omnichannel retailing.

In the new avatar of Arvind Ltd, the textiles business brings in 80% of the group's operating profits. Lalbhai says many parts of the business, like denim for example, have fully depreciated machinery and a virtually negative working capital — as they also buy material on credit.

It is going asset-lite by tying up with third parties for basic weaving and dying, instead of replacing older machines. Therefore, with little capital (equity+debt) at play, this business has a very high return on capital employed.



With textiles, Lalbhai is keen to ramp up the garment production business of Arvind, which has a labour-intensive model.

The company is trying out a new model at its garment making units in Jharkhand's capital Ranchi and in Bavla in Gujarat by providing dormitories for women, especially from tribal regions.

The workers are also imparted skill training or college education, and are expected to complete the training in four years.

There are aggressive plans to increase the workforce in Bavla to 12,000 from 1,500 and in Ranchi to 7,500 from 2,000.

The plan is to have more than 80% women employees in both locations. The company also benefits from the payroll incentives of these state governments.

While these centres build capacity, Arvind is also offering global garment brands solutions such as fabric research and development and production, among others. It has already invested in a unit in Ethiopia to make the most of the tax advantagefrom there to Europe. An example of the research and development work is the rapid action chinos — trousers that can take the wear and tear of sporting activities — that Arvind developed recently.

Vicksit Mehta, the mustachioed creative director of Arvind, whose team worked on developing the trousers, says sustainability is the key to succeed in the global garment space today and much of the research that happens at Arvind focuses on that.

Mehta, who dresses in jackets and ties that look anything but formal, has been with the company for 15 years. Under Mehta, the creative arm of Arvind has notched up many wins, working with all top global garment brands.

So will the renewed garments play and the newer businesses enthuse the market to invest in Arvind Ltd again?

In a post-demerger report in November, Kashyap Pujara, the head of research at Axis Capital, said: “Investors were mainly playing Arvind for the scale-up of its B2C brands & retail business which requires relatively lower capital intensity (versus textiles) and commands far better valuation multiples (15-20x EBIDTA). Investors viewed the mainstay business, textiles (~80% of consolidated EBIDTA) as strong cash cow which funded the brands & retail scale-up.”

Chairman Lalbhai says the focus should be more on the return on capital employed (ROCE) and less on the earnings before interest, tax, depreciation and amortisation (EBITDA), as the textile business is now moving towards an asset-lite model and, therefore, capital investments would be less. The two businesses that were moved out of Arvind Ltd — Anup Engineering and Arvind Fashions — were listed in early March.

There were initial stutters, as the stock price of Arvind Fashions kept hitting its upper circuit filter every day. The combined market capital has inched up to Rs 8,989 crore on March 29, 11% more than its pre-demerger value in November. Around the time demonetisation was announced in November 2016, the Arvind Ltd scrip had crossed Rs 10,000 crore in market capitalisation — and that should be the first milestone for the combined valuations of the new entities to cross.

Source: economictimes.com- Mar 31, 2019

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India and Asean: Both regions have much to gain

India-ASEAN relations have undergone a tectonic shift in the ongoing structural move in the global order. One finds growing resonance and positivity between the two with a foreseeable impact on the regional economy, trade and geopolitical stability. This can be achieved by tapping and complementing each other’s vast and growing markets, which will augur well for both.

Opportunity to boost trade linkages: Both India and ASEAN share common growth drivers such as favourable demographics, increasing domestic demand, proliferation of technology, urbanisation, skilled workforce, and most importantly led by governments that are collaborating to ensure trade in the region reaches new heights, with minimal barriers.

There is no denying that the ASEAN India Free Trade Agreement (AIFTA), which was signed between ASEAN and India in 2015, has led to a progressive market access, and a more conducive investment ecosystem among the member nations. Both India and ASEAN have set-up joint committees to monitor implementation of trade agreements and identify non-tariff measures which can be further liberalised.

Apart from this, India and ASEAN countries have mutually decided to gradually abolish tariffs on 80% of tariff lines accounting for 75% of trade.

Further liberalisation in non-tariff measures would be important for India and ASEAN to realise the goal of $200 billion trade by 2022. AIFTA and abolishing of tariffs on a vast number of product lines is expected to give great boost to bilateral trade.

There is no denying that AIFTA will facilitate better integration of supply chains in the machinery, electrical and electronics sectors and transport, which could be further enhanced by services trade and investment.

However, it will be imperative to accelerate business to business connections, information flow, establish institutions for mutual recognition of standards in the bilateral services agreements and abolish other non-tariff barriers to realise full trade potential and product integration between India and member ASEAN countries.

This optimism is reflected in the significantly higher levels of trade flows between India and ASEAN with ASEAN being India's fourth-largest trading partner.

Enhancing air connectivity along with maritime and road linkages can further create opportunities for employment and growth for India and ASEAN.

Further, it will be beneficial to establish efficient regional value chains (RVCs) which will strengthen economic cooperation by expanding market access among ASEAN member countries.

Well integrated regional value chains will lead to reduced cost of manufacturing and trading for the member countries.

Mutually-beneficial engagement: Encouraging greater connections and collaboration between India and ASEAN in the areas of infrastructure, innovation and start-ups and digital economy would be mutually beneficial.

This would create a multitude of touch points between the two and can potentially take this inherently vibrant relationship to the next level.

Logistics is likely to play a prominent role in the growth of trade between India and ASEAN in the coming years. As a result, the focus of governments and businesses have shifted towards integrating logistics after the implementation of various forward looking initiatives, like the ASEAN-India Commemorative Summit, ASEAN-India Plan of Action (2016-2020), Master Plan on ASEAN Connectivity (MPAC) 2025.

Regional Value Chains (RVCs) have played an important role in laying the foundation for improving manufacturing and production processes in ASEAN countries as they seek to become an integral part of Global Value Chains (GVCs).

Mature RCVs in India and ASEAN such as IT/ITeS and apparel sector, respectively, which have now become part of GVCs, can potentially benefit both India and the ASEAN.

Building efficient institutional connectivity: It will be mutually beneficial to develop efficient transportation and infrastructure to enhance economic exchanges between India and ASEAN countries.

Establishing trade facilitation measures will help to reduce the volume of documentation which obstructs the movement of goods and services between India and ASEAN. This requires abolishing non-tariff barriers and other restrictive institutional processes.

Growth in innovative ways: India and ASEAN have identified innovation as a priority, and are working towards understanding how to build connectivity so start-ups have access to markets in both regions.

Technology plays a very important role in integrating logistics which further gets enhanced by the adoption of technology solutions such as e-commerce and app-based crowd sourced logistics platforms, leading the supply chain activities from insourcing to outsourcing, rail and freight transportation.

Companies are now deploying new age technologies like big data analytics, machine learning, blockchain and robotics to develop a much more efficient and smart logistics, reducing time and costs.

The way forward: Greater political, economic and diplomatic engagements between India and ASEAN will pave the way for better trade ties with member ASEAN countries and also prepare them for global uncertainties.

While India and ASEAN together transcend on their respective and joined paths to economic and social prosperity, leveraging institutional mechanisms for an appropriate reduction of non-tariff barriers to enhance trade and investment would be the 'drum beat' for this strategic partnership.

Source: financialexpress.com- Apr 01, 2019

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