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IBTEX No. 118 of 2020 June 01, 2020

US 75.34| EUR 83.90 | GBP 93.41| JPY 0.70

NEWS CLIPPINGS

INTERNATIONAL NEWS

China's manufacturing still sluggish as virus hits exports

China's manufacturing activity expanded in May but at a sluggish pace for the second straight month as the coronavirus pandemic weighed on the global economy. A monthly purchasing managers' index issued Sunday slipped to 50.6, down from 50.8 in April. A reading above 50 means that manufacturing is growing.

The figures indicate that manufacturing picked up in May, although more slowly than the previous month, said Zhao Qinghe, a senior statistician at the National Bureau of Statistics.

The index, compiled by the the statistics bureau and the official China Federation of Logistics & Purchasing, has bounced back from a historic low of 35.7 in February, when many factories were shut at the peak of the virus outbreak in China.

Factories have reopened as China has ended lockdowns and eased restrictions on commuting and travel, but the spread of the pandemic has slowed economies globally, depressing demand for Chinese exports.

In a worrying sign, the index for export orders in the monthly report remained low at 35.3, though up from 33.5 in April. That suggests exports will remain soft for at least a while.

Qinghe noted that indexes for new orders overall picked up in 12 of 21 sectors, which he said indicates improving domestic demand.

Source: financialexpress.com– May 31, 2020

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China garment giant expands in SEZ

Phnom Penh Special Economic Zone Plc (PPSP) has signed a lease agreement for additional land with Marvel Garment Co Ltd, a leading knitwear manufacturer from China.

PPSP is company behind the Phnom Penh Special Economic Zone (PPSEZ), a 357ha industrial park in Kambol district's Kantaok commune on the outskirts of the capital.

Marvel Garment is the local arm of leading Chinese clothing manufacturer Shenzhou International Group Holdings Ltd.

PPSP non-executive chairman Tan Kak Khun signed the deal with Marvel Garment general manager Yan Delin on Friday.

He said Marvel Garment has continuously expanded its project at PPSEZ and the company – currently in Phase III of development – which covers an area of 43ha.

He said the project is designed as a cluster of garment manufacturing plants, with tailoring, sewing, packaging, warehousing, and printing and embroidery in a complete set.

The transaction involves the lease of 6.4ha of land and is another symbol of cooperation between the two companies to jointly vitalise employment and the economy, said Yan.

He said the company has begun to prepare worker's dormitories and surrounding facilities and he expects the project to create 17,000 local jobs.

"While setting up the production area, we must arrange for living facilities in advance for future workers," said Yan.

PPSP customer service manager Hak Serey told The Post on Sunday that the agreement reflected the fast development of his company.

Serey said PPSP has a total of 108 companies operating in the PP SEZ. "Currently, the project is full and we are planning to expand into another area."

PPSEZ saw $1.139 billion in trade volume last year, up 14 per cent from 2018, reported PPSP.

Ministry of Economy and Finance data show that Cambodia exported $2.688 billion worth of goods through special economic zones (SEZs) last year, up 27 per cent over 2018.

There were 465 companies operating in the Kingdom's 54 SEZs employing more than 100,000 workers.

Source: phnompenhpost.com– May 31, 2020

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Italian Fashion and Textile Sector faces €3.5 Billion revenues loss In Q1

Confindustria Moda research shows that over 3.5 billion euros in revenues in the first quarter of 2020 were lost in Italian fashion and textile companies, with a sales reduction of about 9 billion euros by the end of this year. The report evaluated the output of SMI-Sistema Moda Italia companies and those which have been severely affected since February by the coronavirus outbreak in the region.

It showed, 42 per cent companies interviewed registered a loss between 20 and 50 per cent in revenues, while 28 per cent posted a decrease between 10 and 20 per cent. In addition, compared to the same period last year, for 49 per cent of the fashion and textile companies the number of collected orders decreased between 50 and 20 per cent.

As SMI president Marino Vago highlighted, in order to protect their workforce, 95 per cent companies included in the research used the wage support measures made available by the government and, to protect the safety of their employees, 80 per cent of them activated smart working.

Confindustria Moda 's research also centered on the fact that the main challenge they had to face during the emergency was the management of the relationships with customers for the Italian fashion and textile companies that took part in the survey. As Vago noted, since most SMI associates operate in the textile sector, requests from customers, sometimes large fashion groups, to postpone payments or revise contracts significantly affected them.

Furthermore, the research highlighted how Italian fashion and textile companies suffer from a lack of liquidity due to the low capitalization rate of medium and small businesses.

Source: textilefocus.com– May 30, 2020

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Trade officials to discuss Australia-UK free trade deal within weeks

Australia is beginning to hold formal talks with the UK over its first post-Brexit free trade agreement.

Trade Minister Simon Birmingham said he is hopeful the bilateral FTA will be wrapped up by the end of the year, although UK authorities have not committed to a timeline.

Australian-British Chamber of Commerce CEO David McCredie said authorities believe official talks will begin in the middle of June.

Mr McCredie told Sky News the pandemic has shown the necessity of not “putting all eggs in one basket” when it comes to trade.

“There is a great opportunity for us to really re-look at our supply chains and decide what we want to be a part of in the future,” he said.

I think one of the things this crisis has taught us more broadly is you can’t put all your eggs in one basket, whether it is supply chains or markets.”

Source: skynews.com.au– May 31, 2020

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Bangladesh goes to bat for textile industry as buyers scrap orders

With the coronavirus pandemic pummeling Bangladesh's textile industry, a two-pronged campaign is underway to salvage the country's biggest export earner by cajoling big Western clothing retailers to honor previous purchase commitments.

The U.K.'s Edinburgh Woolen Mills Group, whose key brands include Peacocks, Jaeger, Bonmarche, and Austin Reed, has canceled orders worth more than $30 million from nearly three dozen Bangladeshi factories, despite entreaties from the Bangladesh Garment Manufacturers and Exporters Association, BGMEA since mid-April.

Now the trade group is playing hardball. On May 21, the association sent a letter to Philip Day, the company's billionaire owner, threatening to blacklist the retailer in Bangladesh unless it settles outstanding payments with suppliers by May 29. That has intensified a fracas between the conglomerate and BGMEA, which represents more than 4,600 apparel makers.

Many of the 1,000 or so retailers who source products from Bangladesh have canceled or put on hold textiles orders. As of April, more than $3 billion in orders were in limbo, leaving 1,150 factories and 2.8 million workers, mostly women, facing poverty.

BGMEA President Rubana Huq estimates that half a million jobs have disappeared since the deadly coronavirus arrived in Bangladesh on March 8 and the lockdown that followed on March 26. Nearly 400 factories have shut down in recent months, one-third of which have gone out of business. "Such scaling down of the industry [was] caused by the first wave of the tsunami," said Huq.

But BGMEA has powerful allies, including Bangladeshi Commerce Minister Tipu Munshi. "Toughening up [its] position, BGMEA has done a good job," Munshi told the Nikkei Asian Review. "They are doing the right thing."

Munshi, who headed the association between 2005 and 2006, said that with the help of Bangladesh's diplomatic missions abroad, the ministry is pushing Western retailers hard to honor their agreements with Bangladeshi companies, restoring orders that have been canceled or suspended.

"Some deals are being renegotiated, while other buyers are promising to compensate" those that have lost business, Munshi said. "We're trying to resolve this issue with buyers' representatives and the buyers themselves."
The Bangladeshi economy relies heavily on the garment and textile industry, which accounts for 12% of the country's gross domestic product and 84% of its merchandise exports.

Earlier in May, Jafar Uddin, the commerce secretary, wrote to Bernd Lange, chairman of the European Parliament's international trade committee, seeking his intervention to restore garment orders that have been suspended or nixed by European brands.

"Such unbearable and uncompassionate action by some European apparel businesses does not go with the idea of ethical and value-based trade," Uddin said.

In a 15-minute phone conversation with Bangladeshi Prime Minister Sheikh Hasina on April 29, her Swedish counterpart, Stefan Lofven, gave assurances that Swedish companies would stop canceling Bangladeshi clothing shipments.

The following day, Sigrid Kaag, the Netherlands' minister for foreign trade and development cooperation, pledged to his Bangladeshi counterpart that Dutch buyers will continue to buy Bangladeshi garments.

Bangladesh is going beyond public diplomacy. In a video conference with Bangladeshi expatriates in Ireland on May 23, Foreign Minister A.K. Abdul Momen urged the Bangladeshi diaspora living in Europe to mobilize public opinion against "unfair" cancellations of Bangladeshi textile orders by European fashion labels.

BGMEA has also stepped up its lobbying. The association is working with the United Nations and global rights groups, such as the International Labor Organization, Human Rights Watch and the Worker Rights Consortium, to promote ethical buying. BGMEA is also part of an alliance that includes trade associations from the world's major apparel-producing nations.

"We are fighting our own battle, with the help of global media and civil society," said Huq. A case in point is Edinburgh Woolen Mills. "We wouldn't mind having a row" with a brand that has an insignificant stake in Bangladesh and goes into occasional bankruptcy, Huq told Nikkei.

Miran Ali, a director with BGMEA, echoed that thought: Edinburgh "is [engaged in] a sing[ular] case of unfair business practices. ... Bangladesh is no longer going to simply bend over backwards to accommodate unscrupulous brands," he told Nikkei.

Edinburgh Woolen's Chairman John Herring on May 27 in reply to the BGMEA president's letter dated May 21 lashed out at the group's approach, saying it is "unconstructive" to exert political pressure on British companies. The association "appears to be putting media noise and tactics above engagement, discussion and solutions," a company representative told Nikkei.

Following a global uproar, H&M, Inditex, PVH, Marks & Spencer, Target, Primark, Decathelon and other international brands agreed to source apparel from Bangladesh without breaching previous agreements.

Last year Bangladesh's textile shipments came to nearly $35 billion, making it the world's second-largest exporter, after China. But its position is now in peril. In the 10 months through April, the country's textile shipments shrank 14% to $24.48 billion, their lowest in five years, government figures show.

Ahsan H. Mansur, executive director at the Policy Research Institute of Bangladesh, a think tank, said Western buyers have "legal and moral obligations" to support suppliers without canceling shipments they have previously ordered.

Source: asia.nikkei.com– May 30, 2020

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Bangladesh: Impose duty on Indian yarn: Bangladeshi textile millers urge govt

Primary textile millers in Bangladesh have called upon the government to impose anti-dumping duty on Indian yarn imports to protect the $8 billion domestic textile industry.

The call comes soon after Indian clothing manufacturers recently suggested their government impose more duty on Bangladeshi clothing items.

Bangladesh Textile Mills Association (BTMA) sent a letter addressed to Finance Minister AHM Mustafa Kamal, Commerce Minister Tipu Munshi and Textiles and Jute Minister Golam Dastagir Gazi for taking necessary measures to stem the entry of cheap Indian yarn to the country.

In the letter, the BTMA also demanded cash incentives be increased to 10 percent from the existing 4 percent. It also asked the authorities to scrutinise import prices of yarn at land ports along the Bangladesh-India border.

Local garment manufacturers are importing low-price yarn from India to make apparel items for export. Local millers sell the widely consumed 30 carded yarn at a price between $2.80 and $2.90 per kilogramme, while the same quality Indian yarn is sold between $2.60 and $2.70 per kg in Bangladesh, according to BTMA.

The Indian yarn is highly subsidised as their government provides incentives in cotton purchase and production of yarn at the mill level, said BTMA Secretary Monsoor Ahmed.

The Indian yarn is cheaper also because of stockpiling of unsold yarn in the inventories of hundreds of mills in India amid the global pandemic.

"In Bangladesh also, yarn worth $1.4 billion has remained unsold at the factory level over the last two months," Monsoor told The Daily Star.
Bangladesh's annually produces yarn worth $12 billion and the local millers supply 85 percent raw materials to the knitwear sector and 35 percent to the woven sector.

In the letter, BTMA President Mohammad Ali Khokon said Bangladesh exported $566 million worth of garment items to India in the fiscal years 2017-18 and 2018-19, but imported $7.74 billion worth of textile related items including raw cotton, cotton yarn, cotton fabrics and textiles during the same period this year.

So, the Indian clothing manufacturers need not to be worried as they have already urged their textile minister to impose additional duty on import of apparels from Bangladesh.

Rakesh Biyani, president of the Clothing Manufacturers Association of India (CMAI), in a letter to Indian Textile Minister Smriti Zubin Irani on May 22 said the domestic clothing industry in India is under threat because of duty free import from different countries including Bangladesh.

Bangladesh has been enjoying duty free trade benefit to Indian markets from 2011 under the South Asian Free Trade Area (SAFTA).

BTMA President Khokon said Bangladesh had exported garment items worth $35 billion in the 2018-19 fiscal.

Of the exported garment items, products worth $22 billion were manufactured from locally-sourced raw materials, resulting in a high retention value at $15 billion

On the other hand, the retention value from items manufactured from imported raw materials was only $3.25 billion, Khokon said in the letter.

The retention value on local raw materials is higher because of shorter lead time and for use of local manpower and transportation, he added.

Source: thedailystar.net– May 30, 2020

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Bangladesh: Calls for anti-dumping duty on Indian yarn grow louder

The country's primary textile millers have once again called upon the government to impose anti-dumping duty on cheap Indian yarn to save the $8 billion domestic textile industry.

Thanks to the global coronavirus pandemic, hundreds of mills in India are sitting on unsold yarn, which they are diverting to Bangladesh on the cheap and many local garment makers are lapping them up.

For instance, the local millers are selling the widely-consumed 30-carded yarn is selling at $2.80 to $2.90 a kilogram, whereas the same quality yarn can be managed at $2.60 to $2.70 per kg from India, according to the Bangladesh Textile Mills Association (BTMA).

Besides, the Indian yarn is highly subsidised as the government provides incentives for cotton purchase and production of yarn at the mill level, according to BTMA Secretary Monsoor Ahmed

As a result, yarn worth $1.4 billion have remained unsold at the factory level in Bangladesh over the last two months, he told The Daily Star yesterday.

Subsequently, the BTMA recently wrote to Finance Minister AHM Mustafa Kamal, Commerce Minister Tipu Munshi and Textiles and Jute Minister Golam Dastagir Gazi requesting measures to stop the invasion of cheap Indian yarn.

In the letter, the association also called for increasing the cash incentive for garment exporters by 6 percentage points to 10 per cent if local yarn and fabrics are used.

The local millers churn out $12 billion worth of yarn a year and can meet 85 per cent of the demand for raw materials by the knitwear sector and 35 per cent by the woven sector.

In fiscal 2018-19, Bangladesh exported garment items worth $35 billion, and 63 per cent of the garment items were made from local raw materials. As a result, the retention value was also high at $15 billion, according to BTMA President Mohammad Ali Khokon.

On the other hand, the retention value from the imported raw materials was only $3.25 billion, he said in the letter.

The BTMA also demanded the import prices of yarn be scrutinised at the land ports along the Bangladesh and Indian bordering areas.

Meanwhile, the Indian clothing manufacturers have already taken steps to save their domestic industry.

On May 22, Rakesh Biyani, president of the Clothing Manufacturers Association of India (CMAI), sent a letter to Indian Textile Minister Smriti Zubin Irani to request an additional duty on import of apparels from Bangladesh.

The CMAI said the domestic clothing industry is under threat because of duty-free import from different countries, including Bangladesh.

Thanks to the duty-free trade benefit, Bangladesh's garment export to India has increased a lot in recent time despite having a 12.50 per cent countervailing and provincial duty.

Bangladesh has been enjoying duty-free trade benefit to Indian markets from 2011 under the South Asian Free Trade Area (SAFTA).

Under the SAFTA, Bangladesh enjoys zero-duty benefits on the export of all goods -- including apparel products -- except 25 alcoholic and beverage items.

In fiscal 2017-18 and 2018-19, Bangladesh exported $566 million worth of garment items to India and imported $7.74 billion worth of textile-related items, including raw cotton, cotton yarn, fabrics and textiles, according to Khokon.

Source: newagebd.net– May 30, 2020

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Bangladesh: Textile and RMG supply chains during pandemic

In the first quarter of 2020, the coronavirus pandemic led to a 3.0 per cent drop in global trade values. Covid-19 could trigger the biggest economic contraction since World War II, affecting all industries from finance to hospitality.

As there is significant uncertainty about how the epidemiological and economic situation will evolve, assessing the duration and the gravity of the pandemic seems like an impossible task.

However, recent forecasts suggest: trade volumes decreasing between 13.0 per cent and 32.0 per cent in 2020 (WTO, 2020); global growth falling to -3.0 per cent (IMF, 2020); and different maritime seaborne scenarios ranging from a return to sector average (around 3.0 per cent annually) after 2022 to growth rates falling by 17.0 per cent by 2024.

Industries whose operations are more globalised (and particularly those that rely on Chinese inputs for production) were most exposed to initial supply chain disruption due to Covid-19. This was the case for precision instruments, machinery, automotive and communication equipment (UNCTAD, 2020).

Given its non-essential nature, the fashion industry faces significant risks. Indeed, in times of Covid-19, as consumers around the world remain in lockdown, they no longer need new products. This industry is characterised by a highly integrated global supply chain.

In it, many developing countries play the role of the supplier of low-cost inputs. This article highlights some of challenges and concerns that some of these countries face, many of which are dependent on textile and garment exports.

THE TEXTILE INDUSTRY IN DEVELOPING COUNTRIES

The accession of China to the WTO (2001) and the expiry of the WTO Agreement on Textiles and Clothing (which ended a 10-year trade regime managed through quotas) on January 1, 2005 contributed to making China an important centre of textile and clothing global value chains (GVCs).

These two developments led to shift apparel production and sourcing (by globalised retailers and producers) to China and other Asian countries because of low labour costs (UNCTAD, 2005), following the cost-reducing logic of GVCs.

As wages gradually rose in China and Chinese plants moved to produce higher-value goods, countries like Bangladesh, Pakistan and Vietnam, with lower wages costs started attracting factories to relocate their production from China.

At the global level, China remains an important supplier of fashion goods but has also become an important consumer of this industry.

Major exporters of fashion goods for whom exports in the sector represent a significant share of export earnings are shown in Figure 2. Consequently, the Asian country most badly affected by the disease outbreak could be Bangladesh where around 85.0 per cent of its exports include fashion goods

Given the globalised nature of the industry, companies and retailers must transport their goods and raw materials across many countries. Besides China, other countries play an important role as key hubs around which trade of fashion products takes place.

This is the case for the United States (as the most important retail market), and some European countries (such as Belgium, Germany, France and UK), with ports such as Rotterdam and Antwerp featuring prominently in this trade.

From a logistics point of view, the textile, apparel and garments industry is considered a time-sensitive industry. Irregularities in making goods reach a particular place at a specified location on time can lead to reduced (or no) profits for the textile owner.

In addition, clothing collections change quickly: their lifecycle is short (as perishable products) and their commercialisation is characterised by strong seasonal peaks. In this sense, textile logistics are characterised by small stocks and short delivery times.

These goods and raw materials are usually transported using a combination of land, sea, and air. Within this trade logistics context, strong multimodal inter-linkages are key to ensure Just in Time delivery.

E-commerce developments have further accentuated time-related logistics requirements, such as next day delivery, as well as the capacity of handling a large volume of returns and offering the possibility for manufacturers and dealers to check the location of their articles at any time.

SUPPLY CHAIN DISRUPTIONS: The Covid-19 outbreak led to production stops in China first, followed by closures of shops elsewhere around the world.

For the moment, European and American retailers, the two destination markets for this sector, are still cancelling their orders. Cancelled orders are a cause for concern in many sourcing countries.

As shippers are increasingly invoking 'force majeure' clauses within their contracts to halt their payments, on 8 April, the Sustainable Textile of Asian Region (STAR) Network, the body, which brings together representatives of the producing associations from Bangladesh, Cambodia, China, Myanmar, Pakistan and Vietnam, released a joint statement on the issue.

It urged brands and retailers to consider the impact that their purchasing decisions during the coronavirus pandemic could have on workers and small businesses in the supply chain and, therefore, to honour their contracts with their suppliers.

In their statement, the STAR Network invited global businesses to "support business partners in the supply chain as much as possible, and aim at a long-term strategy of business continuity, supply chain unity and social sustainability."

The evolution of local epidemiologic situation in key sourcing countries, has impacted workforce availability and production, as well as multimodal logistics underpinning global value chains.

One of the concerns in this respect is that production of fashion goods could be moved away to other sourcing countries that are resuming activities faster in the Asian region or that are closer to retailers to diversify their supply chain risk.

Governments in developed countries around the world are implementing unprecedented actions to ease the effect on their economies from measures put in place to limit the spread of the pandemic.

Most developing countries do not have similar financial means, health systems or social safety nets to respond to the Covid-19 pandemic crisis and its economic impacts.

In this context, various assistance packages have been announced by IMF, the World Bank and others with a view to supporting economies, including emerging market economies.

TRANSPORT CONNECTIVITY IMPACT: Observable changes derived from the pandemic concerning maritime transport networks include, for example a reduction in service frequency (blank sailings and idle fleet) and changes in routing affecting particularly Asia-Northern Europe services, a key axis in the trade of fashion goods.

Shipping lines are reducing the number of port calls in the maritime services they offer to adapt to declining demand and cargo imbalances

This is likely to affect the liner shipping connectivity of sourcing countries both in terms of intercontinental as well as intra-regional feeder calls and, if this situation persists, could make economic recovery even harder.

The fashion industry is undoubtedly under pressure in these uncertain times. Depending on the role that countries play in the supply chain, building resilience could entail different needs and approaches.

Prospects appear particularly bleak for low-cost sourcing countries that are highly dependent on textile and garments exports for revenues, concurrently faced with the challenge of limited financial means and less developed health systems and social safety nets to cope with the socio-economic effects of the pandemic.

In the short-term, lockdowns around the world have thrown a spotlight on risks associated with high supply chain interconnectedness and challenges associated with global sourcing.

This has also had an impact on trade logistics, as the glue that holds global value chains together. Observable changes introduced in maritime transport services to cope with reduced demand and cargo imbalances illustrate this.

CONCLUSION: The key question is what will this mean in the longer term, after surviving this unplanned humanitarian and financial crisis, particularly for the weakest links of the chain?

Driven by growing pressure towards more environmentally friendly lifestyles, the fashion industry was already confronted, before the pandemic, with increased concerns regarding its sustainability footprint, particularly consumption patterns associated with 'fast fashion' (increasing levels of expenditures and waste disposal) and associated production patterns (workplace conditions, environmental impact of textiles processing).

Will the current crisis accelerate a transformation in consumption patterns, inducing structural changes to the industry supply chain?

For example, could it lead to generalise new models such as 'seasonless designs' or lead to shorter value chains (i.e. increased local or regional sourcing)? Certainly, moving away from the "just in time" or "made- to-order" business models will have an impact on trading and transport patterns.

Source: thefinancialexpress.com.bd– May 31, 2020

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Covid-19 in Pakistan: The quintuple whammy

Covid-19 is likely to significantly affect Pakistan's external balance in five ways – reducing exports, foreign investment and remittances, deflating the import bill, and increasing external debt.

All these repercussions of the pandemic come from recession in economy – in part supply-induced and in part demand-induced – across the globe. Pakistan's top 10 export markets in descending order are the US, China, the United Kingdom, Afghanistan, Germany, the UAE, the Netherlands, Spain, Bangladesh and Italy.

Together, these 10 countries make up 61% of Pakistan's global exports. With the exception of China and Bangladesh, the economies of all the other eight markets are predicted to contract in 2020.

As per the IMF World Economic Outlook, released in April this year, the US, which is Pakistan's largest market accounting for 16% of its global exports, will undergo economic contraction of 6.5%.

Likewise, the United Kingdom, which makes up 7.2% of Pakistan's global exports, will register negative growth of 6.5%. The economies of Afghanistan and Germany, the fourth and fifth largest destinations respectively for Pakistan's exports, are predicted to contract 3% and 6.9% respectively. The UAE, Netherlands, Spain and Italy will register negative economic growth of 3.5%, 7.5%, 8% and 9.1% respectively.

In China, which is the second largest destination for Pakistan's exports, economic growth is predicted to sputter from 6.1% in 2019 to 1.2% in 2020. Likewise, the economy of Bangladesh will grow 2%, down from 7.8% in 2019.

As foreign demand is a major determinant of a country's export performance, a deceleration in economic growth in Pakistan's top export destinations is likely to cast its shadow on the export revenue. Let's have a look at Pakistan's export performance in recent months, year-on-year (YoY). In January 2020, Pakistan's exports registered a negative growth of 2.78%. However, this can hardly be attributed to Covid-19.

However, in seven months (Jul-Jan) of FY20, exports increased 2.2%. In February 2020 and Jul-Feb FY20, exports went up 13.76% and 3.62% respectively. Likewise in March 2020 and Jul-Mar FY20, exports went up 0.13% and 1.68% respectively. Thus, March drove down the growth in exports, which marked the beginning of the impact. April 2020 saw 54% export growth contraction while during Jul-Apr FY20, 3.9% export drop was recorded.

Full impact yet to come

Since foreign trade orders are placed several months in advance, the full impact of the pandemic on exports will be felt in coming months.

The contraction in exports in April has largely been due to the disruption in domestic supply chains. As Pakistan's economy is predicted to contract 1.5% in FY20, the size of the exportable surplus will shrink, which will affect the capacity to export. The fall in commodity prices, driven by a steep decline in aggregate demand, will rub salt on Pakistan's wounds.

Cotton textile accounts for nearly 60% of Pakistan's total exports. Over the years, fluctuations in the country's export receipts can largely be set down to the upward or downward movement in prices of cotton.

The outbreak of Covid-19 has struck a blow to international commodities' — including cotton — prices. From $1.74 per kg in January 2020, average world cotton spot price went down to $1.69 in February and further to $1.49 and $1.40 in March and April respectively.

Thus, in three months, cotton prices have slipped 34 percentage points. Until reversed, the downward movement in prices will adversely affect the countries whose export baskets are dominated by cotton textile. The silver lining for Pakistan is a drastic fall in the price of crude oil. Transportation and industry are the two principal consumers of fuel. The lockdowns and business shutdowns caused the demand for oil to plummet. As a result, the crude prices nosedived to their historic lows.

The price war between two of the world's largest oil producers and exporters, namely Saudi Arabia and Russia, helped aggravate the lockdown effect. It was then the Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC oil producers struck a deal to cut the crude's output by 9.7 million barrels per day in May and June.

The cuts are likely to persist throughout the current year. The reduced supply of and enhanced demand for oil on the back of easing or lifting of lockdowns in several countries will combine to raise the commodity's price. Buoyed by such signals, Brent, the international crude benchmark, rose 10% to $35.72 per barrel, which is the highest jump in recent weeks. However, it will take a while before oil prices go back to their pre-pandemic levels, which will provide some respite for oil-importing countries like Pakistan.

Oil price effect

Probably helped by the fall in oil prices, Pakistan's imports fell 34.5% in April 2020 YoY while for Jul-Apr FY20, the cumulative fall in imports was 16.5%.

In Jul-Mar FY20, imports had dropped 16.76% including the 19.85% drop in March 2020. As oil prices are beginning to recover, the succeeding months may see a weakened price effect on the overall import bill.

That said, imports had been on a downward trajectory even before the pandemic struck, largely due to economic slowdown. For example, in Jul-Jan and Jul-Feb FY20, imports compressed 15.64% and 13.81% respectively. Covid-19 has only helped this trend.

As the economy is forecast to contract in 2020, the import demand will come down significantly. In the likely scenario of export contraction, import compression will remain the only means to narrow the trade deficit.

Covid-19 is predicted to strike at a very significant source of foreign exchange – remittances. It is remittances from Pakistani Diaspora that over the years have helped finance the trade deficit.

The demand for labour is derived demand, which depends on the demand for goods and services that workers produce.

As the economies of major sources of remittances for Pakistan, including the Gulf region, Western Europe and the US, shrink, the demand for foreign labour will go down and adversely affect financial contributions from overseas Pakistanis. In case the trade deficit does not significantly narrow, the fall in remittances will jack up the current account deficit (CAD).

Foreign investment

An economy's CAD is financed by its capital transactions or fiscal account, of which foreign direct investment (FDI) is an important source.

In recent years, Pakistan has received meagre FDI inflows. Nearly half of those have come from China under the China-Pakistan Economic Corridor (CPEC). The current financial year, however, has seen a surge in FDI. In the first nine months (Jul-Mar), $2.14 billion in FDI was received compared with $905 million in the corresponding period of last year and $1.66 billion in the full FY19.

However, the global capital crunch is likely to cast its pall over FDI inflows into Pakistan as the country will be competing to attract even scarcer foreign capital. As a result, the economy will have a smaller cushion to finance CAD from non-debt creating instruments, such as FDI, and by implication will become more dependent on foreign credit for its external balance needs.

With the economy shrinking and external debt increasing, the total debt-to-gross domestic product ratio, which reached 93% (98.2%, if we add liabilities as well) at the end of March 2020, will rise.

Source: tribune.com.pk– June 01, 2020

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Exports increase 12.71pc to Rs2.88tr in 10 months

Exports from the country, in rupee term, increased by 12.71 per cent during the first ten months of the current fiscal year as compared to the corresponding period of last fiscal year, Pakistan Bureau of Statistics (PBS) reported.

The exports from the country during July– April (2019-2020) were recorded at Rs 2883,787 million as against Rs 2,558,582 million during the corresponding period of last year, showing an increase of 12.71 per cent, according to provisional data released by PBS. However, on year-on-year basis, the exports from the country decreased by 46.62 percent in April 2020 as compared to the exports of April 2019. The exports in April 2020 were recorded at Rs157,412 million as against the exports of Rs 294,883 million during April, 2019.

Likewise, the exports on month-on-month basis decreased by 45.23 percent in April 2020 when compared to the exports of Rs287,411 million in March, 2020.

The main commodities of exports during April, 2020 were rice others (Rs. 21,663 million), knitwear (Rs. 15,173 million), Basmati rice (Rs. 15,012 million), bed wear (Rs. 12,628 million), readymade garments (Rs. 10,096 million), cotton cloth (Rs. 8,888 million), cotton yarn (Rs. 6,376 million), fish & fish freparation (Rs. 4,554 million), plastic materials (Rs. 4,402 million) and meat and meat preparations (Rs. 4,047 million).

On the other hand, imports during July – April (2019 – 2020) were recorded at Rs 5,965,492 million as against Rs 6,036,561 million during the corresponding period of last year, showing a decrease of 1.18 per cent.

The imports into the country during April, 2020 amounted to Rs. 526,880 million as against Rs525,410 million in March, 2020 and Rs. 665,418 million during April 2019, showing an increase of 0.28 per cent over March, 2020 but a decrease of 20.82 per cent over April 2019.

The main commodities of imports during April, 2020 were petroleum products (Rs. 56,508 million), palm oil (Rs. 31,208 million), electrical machinery and apparatus (Rs. 27,667 million), natural gas, liquefied (Rs. 24,896 million), plastic materials (Rs. 23,910 million), raw cotton (Rs. 19,354 million), iron and steel scrap (Rs. 17,300 million) Iron and steel (Rs. 15,936 million), medicinal products (Rs. 12,222 million) and pulses (Rs. 10,340 million).

Source: pakobserver.net– June 01, 2020

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Bangladesh: Trust between apparel manufacturers and brands is another victim of Covid-19

The building of trust, meaningful relationships between manufacturers and customers in the global apparel industry has played a vital role in the continuing success of the sector. The actions taken by some brands and retailers in the face of the Covid-19 pandemic has, however, shattered the trust.

Clothing retailers and brands around the world face dwindling consumer numbers, store closures and mounting stock inventory. The unprecedented conditions following the outbreak of the pandemic have revealed a significant divide between those companies that are prepared to work closely with their supply partners to mitigate the effects of the downturn in trade for all parties and those whose immediate reaction is to cancel orders, seemingly regardless of the impact that this course of action will have upon their supply chain partners.

The cancellation, the scaling back of, or delay to current production orders with suppliers has been further compounded by many companies withholding payment for goods that have been shipped or insisting upon longer payment terms with their manufacturers than were originally agreed when orders were placed. These actions have placed many garment manufacturers worldwide in a precarious financial situation.

The importance of trust in establishing meaningful relationships between those of us involved in the apparel manufacturing industry and our customers is paramount as I view it is as the single most important factor in building any successful business or relationship. A customer that trusts their supplier should listen to that company's issues and, likewise, a business that trusts their customers will strive to do their very best, even in the toughest of trading conditions. It is this apparent abuse of the element of trust by certain brands and retailers since the Covid-19 pandemic reared its ugly head that galls me the most.

Over recent years, the apparel manufacturing industry has forged relationships with the leading clothing brands and retailers around the globe. Due to the very nature of the business, where speed to market is a major contributing factor to the success of an apparel line in-store, many manufacturers have foregone the traditional payment methods that take time and hinder the speed of the production process.

Gone is the heavy reliance on payment in advance or letters of credit (basically a guarantee from a bank that a particular seller will receive a payment due from a particular buyer) between manufacturers and their customers; instead orders are often processed by many manufacturers (sometimes even without an official purchase order) at the bequest of a customer, because that customer has earned the trust of their supplier over the years.

The manufacturer will undertake to procure the necessary fabrics and sundries for the production of the required goods and will complete the production to the required standards demanded by the buyer, all at his own expense. The manufacturer will then ship the ordered product and await payment from their customer, bearing the expense of overheads, workers' salaries, business rates and amenity charges in the knowledge that payment will be forthcoming.

This was a simple system, commonplace in the apparel industry and one founded on the strength of the relationship and the trust emanating from, quite often, many years of working together.

The Covid-19 pandemic has, unfortunately, laid bare the fragility of these relationships. We have shared success together but, in this time of crisis, it appears that manufacturers are being left to fend for themselves.

Once the cloud of the COVID-19 pandemic has been lifted, we will have to see what long-term damage has been inflicted to these customer/ supplier relationships but one thing is for sure, the wounds will take time to heal and manufacturers will be wary in the business that they develop in the future with their clients.

One of the most precious things in the world of business is trust. It can take years to earn and only a matter of seconds to lose. The ever-evolving events of the last few weeks have damaged the trust that existed between apparel brands and retailers and their manufacturers. Together the apparel community can overcome these difficult times but it will require understanding, the rebuilding of relationships and support from all sides for many months to come.

To restore some semblance of a trusted working relationship, customers that value their relationship with their manufacturing partners need to acknowledge the predicament facing garment factories in the supply chain. By entering into discourse and planning the months ahead from a production and compensation viewpoint, customers will be able to preserve their relationships with their supply chain partners, allowing them to survive financially during this crisis and earning their respect as a worthy business partner.

Apparel manufacturers around the globe are fully aware of the devastating effects that Covid-19 has had across all areas of life. They also should be cooperative to support their customers during these difficult times. Even if quantities are reduced in the future orders, it is the responsibility of all apparel manufacturers to support and work with their customers to ensure that business can move forward when this crisis is finally averted.

Source: thedailystar.net– June 01, 2020

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NATIONAL NEWS

Globalisation at crossroads! What India needs to do to become globally competitive

Over the years, globalisation was a buzzword that significantly impacted human lives. Conceptually, 'globalisation' means integration of all sorts, economic, socio-cultural, financial, technical, etc, among nations across the world.

The word 'globalisation' has not only been used too frequently by all sorts of people across societies ranging from hard-core academicians and theorists to corporates and politicians, but it has also been widely misused, both knowingly and unknowingly.

To be a world leader, one has to develop a 'global understanding', travel 'globally' and promulgate one's 'global vision'. Many a times, it appeared that overuse of 'global' in one's discourse evoked mass appeals and became crucial to success.

The word was oft-repeated to rise up the ladder and gain mass acceptance. On the one hand, politicians across the world rampantly promulgate 'global approach', but they have not spared any opportunity to blame forces of globalisation for failures such as country's economic chaos, the poor performance of trade, unemployment, even terrorism.

Erudite economists across the world are never tired of carrying out path-breaking research and developing innovative techniques to show integration among nations to promote efficiency and growth. Over the years, traditional economic theories such as comparative advantage, factor endowment, competitive advantage have been extensively researched, and this has led to the evolution of a globalised system of manufacturing and marketing.

Consequently, economic activities worldwide transformed to establish globally integrated value and supply chains systems.

A large number of emerging economies, especially China and some of its South-East Asian neighbours, got their manufacturing activities integrated with Global Value Chains (GVCs) to achieve efficiencies of scale and reap its benefits. Such an approach to integrate Global Value Chains and become an integral part of the Global Supply Chain significantly helped China to become the 'factory of the world' and transform itself into a formidable economic giant.

But China, due to the pandemic, has witnessed an economic slump, with a fall in its GDP growth to 6.8% in the first quarter of 2020. This is further expected to tumble in the second quarter.

IMF estimates the world economy to fall by 3% in 2020, the Euro area (-7.5%) and the US (-5.9%) are likely to be the worst-hit whereas it has estimated growth of 1.2% and 0.5% for China and India, respectively. However, these economic predictions now seem too optimistic, as India's real GDP is now estimated to decline to 5-6% in FY21, and is liable to fluctuations depending upon government actions to contain the virus, and duration and severity of lockdown measures.

India witnessed a steep fall in its composite IHS Markit PMI, that measures both manufacturing and services to 7.2 in April, from 50.6 in March 2020. Manufacturing PMI declined from 51.8 to 27.4 and services from 49.3 to merely 5.4; whereas the during the same period, the composite PMI for France was 13.6, UK 13.8, Germany 17.4, Japan 25.8, Brazil 26.5, US 27%, and China 47.6%. This reveals that India was worst hit primarily due to its rigorous lockdown compared to other major economies due to its rigorous countrywide implementation of lockdown.

China, with exports of over $2.5 trillion, has emerged as the largest supplier in the world. Most of the importers are becoming increasingly wary of their burgeoning trade deficit with China. The countries with the highest trade deficit with China in 2019 were the US ($295 billion), the Netherlands ($63 billion), India ($ 57 billion) and the UK ($ 38 billion). Disruptions of global supply chains consequent to the worldwide lockdowns and overdependence on China has led to increasing concerns of the entire system of global production networks based on efficiency in supply chain systems.

Countries around the world are facing difficulties in making medical equipment and medicines for their citizens. Most countries are helpless and do not have the means to deal with such massive economic calamity coupled with health emergencies. Lack of transparency on the part of China raised the levels of distrust among a large number of its trading partners. And, this has led to a realisation of 'self-sufficiency' doctrine, that was long forgotten.

Isolation under no circumstance is the prescription to economic resilience. Instead, countries, including India, need to make concerted efforts to improve efficiencies at all levels, be it sourcing, logistics, manufacturing, policy provisions and implementation. There are no shortcuts to becoming globally competitive.

Source: financialexpress.com– May 30, 2020

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Demand slump bites: Rupee fall doesn't suffice to allay exporters' woes

A 5.6% depreciation of the rupee against the greenback since January has hardly come as a solace to exporters, as they struggle to cope with an unprecedented cancellation of orders following demand crash in the wake of the Covid-19 outbreak and patchy implementation of the home ministry's lockdown orders by states to facilitate the resumption of manufacturing.

Importantly, according to the RBI's real effective exchange rate (REER) index, based on the export-weighted average of 36 currencies, the rupee was "over-valued" by almost 16% in April, despite the depreciation in recent months. The domestic currency had remained overvalued by just over 16% in FY19 and close to 20% in FY20, according to the index.

As such, fresh orders from the EU and the US, the top two markets that have borne the maximum brunt of the pandemic, are barely flowing in, exporters told FE. Merchandise exports contracted by as much as 35% in March and 60% in April.

Currencies of some of India's competitors, too, have weakened against the dollar, blunting the advantage for New Delhi. The Malaysian ringgit has depreciated by 5.9% since January, while the Indonesian rupiah has dropped by 5.1%. The Singapore dollar and the Pakistani rupee have weakened by 4.7% each.

In software services exports, roughly 28% of payments are made in currencies other than the dollar. According to Ravi Sehgal, chairman of the engineering exporters' body EEPC, since hardly any exports are taking place, the rupee depreciation doesn't count much. Engineering goods are the largest segment, making up for over a quarter of the country's goods export basket.

Although the Bangladeshi rupee has held steady and Vietnam's currency has weakened only by 0.5% against the dollar since January, they enjoy much greater cost advantage than India in labour and logistics. Also, Bangladesh has duty-free access to the US and the EU markets in garments, while Vietnam, with its attractive incentives, has already emerged as a major electronics export hub, leaving India far behind.

Also, as pointed out in an earlier report by HSBC, India's domestic bottlenecks explain 50% of the recent slowdown in overall exports (remaining the biggest threat to its outbound shipments), followed by world growth (33%) and the exchange rate (just 17%).

Similarly, according to an earlier Nomura report, every 1% depreciation in the REER raises export growth by just 0.9 percentage point in the same quarter, whereas every 1% of global GDP growth drives up export growth by 2.7 percentage points with a lag of one quarter. This means global growth can potentially create more export opportunities for India than its currency depreciation.

The International Monetary Fund (IMF) has predicted a 3% contraction for 2020 global GDP, warning that the Covid-19 outbreak has plunged the global economy into its worst recession since the Great Depression in 1930s. The WTO, too, has warned that global trade volume growth could crash in the 13-32% range in 2020. These would weigh on the Indian exports as well.

The US, the EU and China made up for 40% of India's merchadise exports. Also, the US (and Canada) and Europe made up for 61.2% and 25.6%, respectively, of India's software services exports worth $118 billion in FY19, according to a RBI report released in November 2019. Of course, the dollar still is the prefered currency, with a 72% share.

However, the much bigger worry for the exporters is the potentially massive demand slowdown due to the pandemic. In such a case, the currency relief is hardly any solace, exporters stress.

Global supply chain has been hit hard, cargo movement has been affected, shipping lines altered and warehouse capacity stretched, they say.

Already, as many as 58% of the 103 respondents in a survey by CARE Ratings suggest exports will contract in FY21 following the covid-19 outbreak, with sectors such as tourism, aviation, auto, electronics and metals facing the maximum risk.

FIEO president Sharad Kumar Saraf has already cautioned said: “The MSMEs particularly in employment intensive sectors like carpets, handicrafts, apparels, footwear, gems and jewellery, marine and perishable with their major market in Europe and the USA are likely to be worst affected particularly in first quarter of FY21, as per the current trend.” Gupta has called for an immediate package for the exporters to reverse the slide. At the same time, he has stated that the government’s move to help MSMEs through guaranteed and collateral-free loans (additional) of Rs 3 lakh crore will help small exporters as well.

Source: financialexpress.com– Jun 01, 2020

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GST Council meeting likely to be held on June 14

Amid pressure on tax collection, the all powerful GST Council meeting is likely to be held on June 14, the first such meeting after the outbreak of the Covid-19 pandemic. Tax collection has been hit due to the lockdown imposed since March 25 to contain the spread of coronavirus.

The Goods and Services Tax (GST) Council is headed by the Union Finance Minister and comprises representatives of all states and Union Territories (UTs). According to sources, the Council meeting planned for June 14 will be held through video conference.

The 39th meeting of the GST Council held in March did discuss the impact of coronavirus on the economy, the sources said, adding the number of cases in India was very low and the lockdown was not imposed.

Meanwhile, the Finance Mministry is not in favour of increasing goods and services tax (GST) rates on non-essential items in the next meeting of the Council, despite depressed revenue collections due to the nationwide lockdown.

If goods and services tax (GST) rates are increased on non-essential items, the sources said, it will further bring down their demand and impede the overall economic recovery.

Post the lockdown, demand has to be induced and economic activity has to improve on all fronts, not just on essential items, they said. However, the decision will be taken by the 40th GST Council meeting, according to the sources.

In the present economic scenario amidst Covid-19, they said any purported proposal for introducing a calamity cess would be ill-advised.

The sources said any such proposal would prove to be "counter-productive" as the sales figures are already low due to a slump in demand and introducing a cess, which would lead to a further increase in prices, could hamper sales even further.

Source: thehindubusinessline.com– May 31, 2020

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Govt's decision to revise MSME definition was long due; relief amid coronavirus to boost investments

The Indian economy is heavily dependent on manufacturing and services sector. Small scale industries or micro, small and medium enterprises (MSMEs) constitute a huge portion of these sectors. MSMEs have emerged as a dynamic backbone of the Indian economy in the last few decades. Owing to such significance of MSMEs, the Government has extended certain benefits to entities falling with the MSME bracket to strengthen and incentivize them. Specifically, the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act") was enacted as a welfare legislation to facilitate the promotion and development, and to enhance the competitiveness, of MSMEs.

MSME businesses are required to get themselves registered under the MSMED Act by inter alia submitting a memorandum to avail the myriad of benefits in store for them such as: (i) easier access to loans from banks facilitated by the Government with lower interest rates; (ii) collateral free loans to MSMEs through schemes such as Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE); (iii) various tax rebates offered specifically to MSMEs; (iv) certain government tenders which are reserved for industries in the MSME category; and (v) setting out of statutory timelines within which buyers of MSME's are required to make payments. Such benefits appear to be in place to not only ensure cash liquidity for MSMEs but also to facilitate them in an atmosphere of competition where larger industries otherwise have it easier.

The Prime Minister, in his address to the nation on May 12, announced an economic relief package of Rs 21 lakh crore titled Atmanirbhar Bharat Abhiyan. The details of this economic package were announced by the Finance Minister in a staggered manner over a course of five days, staring May 13. On the first day, various reliefs and benefits for MSMEs were announced such as: (i) setting up of a Fund of Funds of INR 10,000 crore which will provide equity funding support for MSMEs; (ii) provision of Rs 20,000 crore of subordinate debt for 2 lakh MSMEs which are stressed or have become non-performing assets; and (iii) setting up of Rs 3 lakh crore emergency working capital facility for businesses through collateral free term loans at concessional rates.

Along with the announcement of reliefs for MSMEs, the thresholds for classification of entities as MSME were also revised. Up until now, entities falling with the MSME sector were classified only on the basis of the investment made. The revision of thresholds is upward and these are now based on investment and turnover of entities. Also, the distinction between manufacturing and services sector has been done away with. Per the revised thresholds, entities with investment of less than Rs 1 crore and turnover of less than Rs 5 crore are classified as micro; investment of less than Rs 10 crore and turnover of less than Rs 50 crore are classified as small; and investment of less than Rs 20 crore and turnover of less than Rs 100 crore are classified as medium.

The need for an upward revision of these thresholds was long due since many entities apprehended taking in more investment due to fear of missing out on MSME benefits and consequently blocked their path to growth and increasing their revenues. Further, due to inflation, various entities would fall out of the threshold thus losing out on the benefits which were initially available to them.

More start-up companies are likely to find themselves within the revised thresholds and can thus register themselves under the MSMED Act to avail these benefits. Registration does not include any fees and can be done online. Basic details such as number of activities being performed by the entity, PAN, details of proprietor or managing partner in case of a partnership firm, aadhaar number of the authorized signatory are required for filing the memorandum. Once the memorandum is submitted, a registration certificate is generated and sent to the email address provided in the memorandum.

As the process for registration as MSME is fairly simple, it is likely that more startups in the manufacturing and service sector will follow through with this process. Once such registration in place, all benefits accorded to MSMEs, which include the newly added reliefs under the Atmanirbhar Bharat Abhiyan can be accessed by start-up companies and will help them stay afloat in these uncertain times.

The reliefs announced will act as a re-starter package for those MSMEs that have stumped to a zero or low cash situation during the national lockdown. Additionally, banks are likely to be more comfortable giving out loans to MSMEs for their working capital needs, which, even though collateral free for MSMEs, will be guaranteed by the Central Government. With increasing the scope of MSMEs and additional reliefs announced, the Government has attempted to buffer the hit that the MSME sector is experiencing during the COVID-19 crisis.

This step appears to be in line with the principle of ensuring maximum benefit being delivered to India Inc along with the message that growth must not stop.

Source: financialexpress.com– May 30, 2020

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GSTN enables registration functionality for companies under IBC

The Goods and Services Tax Network (GSTN) on Sunday announced a new registration functionality for erstwhile registered entities who are now corporate debtors under the provisions of the Insolvency and Bankruptcy Code (IBC), 2016.

GSTN is the information technology backbone for the indirect tax system.
This new facility will benefit the companies which are undergoing the corporate insolvency resolution process and those whose management

affairs are being undertaken by Interim Resolution Professionals (IRP) or Resolution Professionals (RP).

The registration process

To use this functionality, the appointed IRP/RP should choose the reason to obtain new registration in the drop-down menu as “Corporate Debtor undergoing the Corporate Insolvency Resolution Process by IRP/RP” while applying for registration on the GST portal.

Based on the GST Council resolution, the CBIC issued a notification saying that corporate debtors shall be liable to obtain new registration through IRP/RP. Accordingly, the IRP/RPs can apply for new registration on the behalf of corporate debtors within 30days from their appointment or by June 30, whichever is later.

The registration can be applied in each of the States/UTs where the corporate debtor was registered earlier.

A corporate debtor undergoing insolvency is liable to furnish its GST returns, make payment of tax and meet all other GST compliances as per the GST law during the corporate insolvency resolution process (CIRP) period. Such corporate debtors shall be treated as distinct person and they are liable to take new registration through IRP/RP w.e.f. the date of appointment of such IRP/RP for management of affairs of the corporate debtors.

Corporate debtors who have not defaulted in furnishing the return under GST would not be required to obtain a separate registration. Accordingly, if statements in FORM GSTR-1 and returns in FORM GSTR-3B for all the tax periods prior to the appointment of IRP/RP have been furnished under the registration of Corporate Debtor (earlier GSTIN), the IRP/RP would not be required to take a fresh registration.

In such cases, the IRP/RP is made Authorised Signatory under non-core amendment and they can continue using the same GSTIN.

Source: thehindubusinessline.com– May 31, 2020

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MSMEs seek quick action from banks on availing of credit facility

As they get into restart mode, MSMEs (micro, small and medium enterprises) seek banks and financial institutions' swift action in releasing emergency credit facilities as part of Centre's stimulus measures.

While some banks like the State Bank of India, Canara Bank, Union Bank of India and Indian Bank have issued guidelines, MSME associations indicate that majority of lending institutions are yet to release any guidelines for credit facilities.

"As of Friday evening (May 29), no MSME or business enterprise availed loan under the Emergency Credit Line Guarantee Scheme (ECLGS). Many banks, financial institutions and NBFCs are yet to issue guidelines. It is heard that at branch level, the banks will reach out to the beneficiaries who are eligible and therefore enterprises need not disturb them with requests," according to KE Raghunathan, Past President, All India Manufacturers Organisation.

The ECLGS aims to provide much-needed relief to the Covid-19 impacted MSME sector by incentivising lending institutions to provide additional credit of up to ₹3 lakh crore at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses.

While credit offtake is yet to commence, many individuals and organisations received messages to pay EMI in the first week, without extending the moratorium by another three months as announced by RBI, said Raghunathan.

Many MSME owners have also reported that banks were making 'cheque return' charges of ₹240 for the past 2 months period, even though moratorium was availed. Meanwhile, MSMEs who may not be able to avail the loan facility, are worried about the cash flow situation for paying salaries, he added.

Too early to tell

X Arokianathan, Co-Convenor, MSME Panel, Confederation of Indian Industry-Tamil Nadu, said that while things were moving on the banks' side, it is too early to comment on the flow of credit to the needy.

"During our panel meeting a few days ago, two prominent bankers explained the loan schemes and their commitment to helping the MSME. A day later, we received a call from our bank SBI about the loan facility available for us," he said.

In line with the guidelines of ECLGS scheme, PSBs like State Bank of India, Indian Bank, Union Bank of India and Canara Bank have come out with their loan product scheme and released guidelines to their respective branches to extend credit in the form of working capital loan to eligible MSME and business enterprise (non-MSME) borrowers.

"While the Finance Minister said she would personally monitor about this loan distribution on a weekly basis, the banks are yet to gear up to follow on letter and spirit. The bankers are inclined to look at proposals that have strong merits and good credit history, said G Karthikeyan, Coimbatore-based Chartered Accountant.

Meanwhile, the PSBs are now constrained with low staff strength due to Covid-19 and the mega bank mergers.

Source: thehindubusinessline.com– May 31, 2020

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View: Fostering Indo-Bangla trade relations, connectivity is the 'mantra'

Connectivity enables trade. While this is an ancient story, we sometimes tend to forget this simple logic. Our penchant for looking at the whole tree, as against the eye of a parrot, tends to push us towards debating trade issues in technical and esoteric language, at times far removed from ground realties. We have to first grasp the basics of trade and also keep in mind that talking about trade possibilities is rather different from making trade possible.

The impact of the Covid-19 pandemic on cross-border trade between India and Bangladesh has, once again, underlined this simple fact. For a large number of basic necessities, including commodities such as onions or salt, Bangladesh is dependent on India. Nothing wrong with that as nobody can or should produce everything. However, due to legitimate health-related concerns, during this global pandemic, land borders, through which bulk of Indo-Bangla cross-border trade takes place, are firmly closed.

Does it mean that Bangladesh is not receiving Indian goods which they require as vital necessities? The answer is an emphatic 'no'. Trade exchanges are taking place via the railways and waterways. Indian goods are being sent via railway wagons along the Gede-Darshana route.

Coastal shipping is also underway, primarily linking Indian ports of Kolkata/Haldia and Vishakhapatnam with the Bangladeshi ports of Chittagong and Mongla. While these connections are decades old, the India-Bangladesh Coastal Shipping Agreement is a major enabler for reducing both time and cost.

These coastal shipping routes are also being used to send goods to India's North-eastern states, which are heavily dependent on this link, as transporting basic necessities via the 'chicken's neck', the Siliguri corridor, is not fully operational. Bangladesh is cooperating with India in facilitating such trade.

Thus, alternative means of connectivity matter most in emergency situation like this, as well as during normal times; they also help diversify logistics, which is the most critical ingredient for making trade actually take place. The recently signed 'Second Addendum on Protocol on Inland Water Transit and Trade between India and Bangladesh' is to be viewed in this context. That is about enabling more trade, in a better manner.

Most importantly, this instrument has provisions, which can localise trade. For example, the inclusion of Sonamura-Daudkhandi stretches on the Gumti River bordering Tripura, as part of the India-Bangladesh Protocol Route, has been helpful. Similarly, the inclusion of Jogighopa in India and Bahadurabad in Bangladesh bordering Assam makes these new ports of call. Movement of shallow draft mechanised vessels is also allowed. Taken together all these measures will help trade in local products between India's North-eastern states and Bangladesh. There can't be better examples of 'Vocal for Local'.

The above were some of the major recommendations, which came out of the work of CUTS International and its partners in Northeast India and Bangladesh under a project titled 'Trans-boundary Rivers of South Asia', which is being managed by Oxfam with support from the Swedish

International Development Agency. This is a successful example of South-South as well as trilateral development cooperation.

While these are some recent positive developments in fostering better connectivity for trade between India and Bangladesh, much more work and effort is needed. With support from India under its ‘Development Partnership’ programmes, a number of old railway links are being revived, such as the Chittagong-Dibrugarh line, while new ones such as Mongla Port-Khulna, Agartala-Akhaura are also being developed. With the construction of the Padma Bridge in Bangladesh, expected to be completed over the next two years, further connectivity opportunities can be explored.

The Padma Bridge is a dual purpose bridge, having both road and rail links. If the old railway line linking Sealdah in West Bengal and Khulna in Bangladesh via the Petrapole-Benapole border (the old Barisal Express) is revived, and extended to the Padma Bridge, then the time and cost of trade exchanges along this stretch will be reduced by more than three-quarter, compared with the present situation. Also, there will be no congestion at the Petrapole-Benapole land border as the majority of trade will shift to the rail link. At present, trucks carrying goods sometimes have to wait as much as two weeks to cross this border.

We can also view the above positive developments in a wider frame, that of stronger sub-regional cooperation that brings benefit to the other immediate, geographic neighbours. All we need to do is to recognise that these countries -- that is Nepal and Bhutan -- are both potential and actual beneficiaries of stronger, more robust rail, river and road networks that interlock and connect with them.

As economies and as population hubs, the smaller countries do not compare with Bangladesh and India, but in the context of their own economies, any additional gains in connectivity options and trade additionality translate into important direct benefits. And this breathes impetus, plus validity, into the BBIN Project, benefiting all the four, Bangladesh, Bhutan, India and Nepal.

Looking beyond the four countries is the ‘South Asia Sub-regional Economic Cooperation’ (SASEC) Project, also a beneficiary of Asian Development Bank support, which widens the reach of sub-regional cooperation to bring in the Maldives, Myanmar and Sri Lanka. As with BBIN, we need effective ground level actions among these seven countries, each of which adjoins India with a shared land or close sea border.

In the past we elevated bilateral diplomacy to an all-embracing doctrine, which indirectly closed off benefits of wider, issue-based partnerships. We also need imaginative actions to move forward regional programmes, the more so when all these seven countries enjoy positive sentiment that supports cooperative actions.

Regional diplomacy is not a matter of binary choices, where opting for one closes the door to the other. Each group has its validity and context. Each can and does co-exist with other groupings. The bottom-line is: Does the group have an inner logic and a potential for gain for all the members? As the larger state, it behoves us to move forward with the vision of shared benefits and stronger mutual partnerships.

Source: economictimes.com– May 30, 2020

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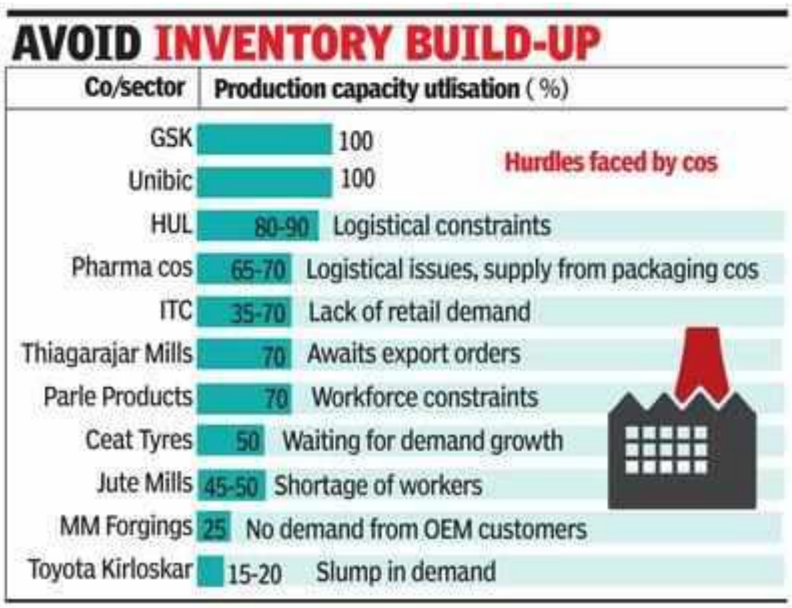
Cos await pick-up in demand to boost mfg

With a majority of manufacturing facilities across sectors still operating below optimum levels, India Inc awaits a pick-up in demand to ramp up production capacities as Lockdown 4.0 ends and Unlock 1.0 begins.



Several manufacturers TOI spoke to across sectors said their operations are running below 100% capacity. While those operating in essential services, such as pharmaceuticals and fast-moving consumer goods (FMCG), are better off but still not utilising full capacity, others in consumer durables, auto, auto components, tyres, jute and textiles find their factories stunted way below 100% capacity levels. Manpower shortage and demand-related issues continue to plague companies.

Among the worst hit is auto sector. Naveen Soni, senior VP (sales and service) at Toyota Kirloskar, which is currently operating at 15-20% of the installed capacity in the factory, said an increase in production will depend on the demand in the market. “We are not building unnecessary inventory, and thus keeping our production levels under check,” said Soni.

Maruti, too, is in the early stages of capacity utilisation as work has begun at its Gurugram facility (in Haryana) only recently, and its parent Suzuki’s factory in Gujarat started production on May 25. Maruti chairman R C Bhargava said that strict conditions around social distancing and also on movement of workers will result in reduction of overall output. The company has also reduced the number of shift hours from 8 to around 6.5 hours.

Industries dependent on auto, too, will have to wait for demand growth before ramping up capacities. Ceat’s plants are working at 50% capacity. Factories of MM Forgings, a leading supplier of auto parts to vehicle makers, said its factories are working at 25% of rated capacity as demand from its original equipment manufacturer (OEM) consumers hasn’t increased. “It will happen in stages and increase when they (OEM consumers) build up their production in a staggered manner,” said MM Forgings MD Vidyashankar Krishnan. MM Forgings has five factories across India, from Panagudi to Pantnagar.

Other than consumer demand, a key reason for under-utilisation of capacities is the unavailability of skilled workers. “The exodus of migrant workers from key industrial belts has posed a huge challenge to manufacturers. It’s also difficult to replace migrant workers with the local workforce owing to the lack of required skills,” said Voltas MD & CEO Pradeep Bakshi. All of Voltas’ four factories, spread across Waghodia, Pantnagar and Sanand, are currently operational, although not at full capacity. “We are operating based on the requirement of the market. We will increase production as and when the market fully opens up,” said Bakshi, while adding the company is facing hurdles more at the back-end than the front-end.

On the other hand, from a virtual standstill when the first lockdown started, Hindustan Unilever (HUL) has increased production to 80-90% of optimum levels. However, there are certain challenges. “In some of our factories located at state borders, getting people from another state to come to work is an issue. We also continue to encounter significant capacity constraints in the main sea and air freight ports of the country. This is putting at risk ingredient supply for which, local production is not available. We are hopeful that these issues will be addressed soon," said an HUL spokesperson.

For ITC, the concern is retail demand. Sources said capacity utilisation in various lines may vary from 30-35% to 60-70%.

The jute industry in West Bengal that produces almost 90% of the of the food grain packaging material of the country, is operating at 45-50% capacity. Till May 31, the jute industry was allowed to deploy 50% of workforce. Ghanshyam Sarda, a leading jute mill owner, said that following a new directive it can operate with 100% workforce. However, here as well, the major problem would be availability of workers. Thus reaching full capacity utilistion would take time.

The two factories of Thiagarajar Mills, which have a capacity to make 1 lakh spindles of cotton yarn, are operating at 70% of rated capacity as the company awaits export orders and better credit situation in the market, said Hari Thiagarajan, a director of the company.

On the other hand, the pharma industry is coming back to normal probably faster than others as it's part of essential services and was functioning mostly during the Covid-induced lockdown. The industry is now working 65-70% capacity, and even problem areas like Baddi (Himachal Pradesh) are in a better shape. However, congestion at Nhava Sheva port, still remains a bottleneck, and the onset of monsoons could further complicate the issue. Another challenge that remains is the supply from the packaging and ancillary industry, said Sudarshan Jain, secretary general of Indian Pharmaceutical Alliance.

"Overall, the situation on the manufacturing front has improved significantly particularly on the packaging material suppliers front which earlier was a challenge. We continue to operate our Nashik factory at 100% capacity and our contract manufacturing factories are also steadily increasing operations from their current 60-65% of capacity (up from 30-35% capacity) a couple of weeks ago," a GSK official said.

Biscuits leader Parle Products is operating its manufacturing at 70% capacity. Parle Products category head Mayank Shah said that the company will continue to operate at these levels till the government allows increasing workforce in factories beyond 50%. Shah, however, said the situation across the spectrum has improved considerably.

"Raw material supply has streamlined considerably and slowly distributors who were not servicing the markets have started taking orders from retailers ensuring products are on the shelves," he said. All of Parle's 130 manufacturing units are operational.

Unibic said it is in a relatively better position because of a single factory in Bengaluru. "In terms of capacity, we are close to 100%, but we have rationalised our stock-keeping units and are producing limited line of products that require less manpower to compensate for the labour problem," said Unibic CEO Sreenivasulu Vudayagiri.

Source: timesofindia.com– Jun 01, 2020

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India's Covid package combines short-term macro policy with long-term structural reforms

Ever since Covid-19 forcefully entered the world in February 2020, speculation has mounted that it will change policies, and lives, possibly forever. At least one Covid case has been observed in over 200 countries—if ever there was a pandemic, we are looking at it. Countries have been forced to take extra-ordinary steps to counter this inhuman invasion. The economic steps are oriented toward avoiding a meltdown, and India has not been an exception.

On May 12, PM Modi gave a call for a Self-Reliant India Movement with five pillars—economy, infrastructure, system, vibrant demography, and demand. Subsequently, and spanning a week, the PM-FM duo unleashed a set of stimulus measures for the immediate short-term, and, for the medium term, a set of long-pending reforms in agriculture, labour, and industry.

The conversation in India has revolved around the size of the fiscal package—for a change, practically everyone is arguing that we have more fiscal space and the government (especially, as per the critics) is being heartless by not spending more. But, this is a mistaken view, not grounded in the reality of IMF data. As part of a data and information response to the Covid-19 pandemic, IMF has started publishing a Policy Tracker (IMF-PT) (bit.ly/2ZOrIGH) that reports on fiscal and monetary policy stances, and responses, for 193 countries.

According to IMF-PT, the fiscal component of the Indian package is estimated to be at least 3.5% of GDP as expenditure for poor households, migrant workers, and agriculture. There is an additional 0.5% of GDP for states to spend unconditionally, bringing the fiscal package—excluding loans—to businesses to be at least 4% of GDP. The support for businesses (MSMEs) is estimated to be 2.7% of GDP. Of this, at least 2% of GDP is in the form of 100% credit guarantees, and equity infusion.

Among major developing economies, only Brazil (8% of GDP), and Peru (7% of GDP) have a higher fiscal stimulus than India's 5%+ level. The Brazil estimate includes about 3% of GDP as working capital loans to businesses and households. The fiscal support level for some important emerging economies: China 2.5% of GDP, and Indonesia 3.5%.

While comparing fiscal stimulus packages across countries, it is important to understand that such packages are in the nature of additional spending and tax reliefs, which can work directly through aggregate demand or indirectly by mitigating risk and enhancing access to funds (if they are in the nature of credit guarantees to financial institutions and non-financial enterprises). A large number of fiscal stimulus packages announced by different countries contain credit guarantees to financial institutions, SMEs, and agriculture—hence, it is difficult to segregate fiscal stimulus into its pure and impure components.

To put fiscal into perspective, the average of all fiscal measures in G24 developing economies is equal to 3.6%. No matter how the calculation is done, India is a positive fiscal stimulus outlier; by IMF-PT calculations, the stimulus is close to the largest among major emerging market economies (EMEs).

The rich nations are spending more; they can afford to. Japan announced what may be the upper limit to the expansion—21.1% of GDP. However, this includes large elements of loans and credit guarantees. Through a combination of several fiscal measures (tax deferrals, credit guarantees, etc) the US has pledged close to 13% of GDP. The EU, on average, has pledged 4% of GDP, with Germany and France each close to this estimate. The average for advanced countries is around 6% of GDP.

Notwithstanding the absolutely and comparatively large fiscal package, a perusal of most Indian newspapers and critics paints a different picture than that contained in IMF-PT. Several experts have contended that the fiscal stimulus is very low. As proof, it is stated that the fiscal deficit will expand by 0.8-1% of GDP—hence, the stimulus is very low! In contrast, most economists, and international organisations, recognise that fiscal stimulus consists of both the pure and impure components, and include three broad items—direct "above-the-line" component, a "below-the-line" component, and guarantees of various forms (primarily credit). The choice of using only one component of the fiscal stimulus is selective, and highly inappropriate.

It was not so long ago (September 2018 through February 2020) that critics (the same individuals/organisations who are critics today!), were arguing that the government, and RBI, were being heartless, economic-less, and clueless, by not addressing the MSME problem. This problem is now being addressed via 100% credit guarantees and fund infusion, and yet being ignored by the critics.

It is also the case that monetary policy change in India is quite significant, and the transformational impact of this monetary stimulus is not being recognised. As a long-time proponent of internationally competitive monetary policy, i.e., real interest rates comparable to those prevalent in competitor economies, the change brought about by RBI under the leadership of Governor Shaktikanta Das is truly welcome. The repo rate now stands at 4%, some 250 ppt below September 2018, and with well contained inflation (around 3-4%). This is substantially a much different, and much improved, RBI response than that which occurred in 2008-09. At that time, as a monetary counter to the Global Financial Crisis, RBI reduced the repo rate by 425 basis points to 4.75%. This was done over seven months, October 2008 to April 2009, and the prevailing CPI inflation rate was 10%.

India has pole position in another dimension of its response. It has announced several economic reforms as a part of the 10.5% stimulus package. These are long-awaited, and even longer debated, reforms—freeing up of the labour market, allowing farmers to sell their produce and land to who they choose, removal of archaic laws like the Essential Commodities Act, with the promise of more to come.

This is not an empty promise—the central government will advance another 1.5% of GDP for states to expand spending. This advance will be conditional on them undertaking long-pending reforms in areas such as distribution of food to the poor (one nation one ration card), power distribution, reforms in property tax collection, rational water charges, and ease of doing business initiatives. The Indian fiscal package is reformist, well-disciplined, and provides focused support; and, if needed, there is still room for additional measures.

Besides India, fundamental economic reforms have not been part of the Covid-19 policy response. Some distance away from India (and the only other example) is Indonesia, with a stated permanent reduction of the corporate income tax rate from 25% to 22% in FY21, and 20% starting in 2022.

There is an old saying about India and investment: “Many a woman has been found six-feet under because she bet on India doing the right thing”. However, this time it is really different—and a large wager is merited. PM Modi has used the crisis to reorient India towards its long-awaited destiny.

Source: financialexpress.com– May 31, 2020

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Recovery Road: Fashion retailers turn to discounting, loyal customers for recovery

As the economy slowly starts to reopen, fashion brands such as Marks & Spencer, United Colors of Benetton, Jack & Jones and Vero Moda are strategising to resume operations. While some of them have introduced discounts to entice consumers into buying, others are focusing on their loyal customer base to ring in the sales.

Shoppers Stop, which has reopened six stores in the country, is offering discounts up to 50% on brands like Celio, Levi’s, Pepe Jeans, Cover Story, AND, Fratini Women, Gipsy, Life and Madame. The company is also running offers on beauty brands like Maybelline, Revlon, Lakmé Cosmetics, L’Oréal, FACES Cosmetics and SUGAR Cosmetics. Bestseller brands Jack & Jones, Vero Moda and ONLY are also offering discounts up to 50%, whereas H&M has discounted its merchandise up to 60%.

Apparel retail is among the worst hit sectors due to the country-wide lockdown imposed to check the spread of Covid-19. According to Anurag Mathur, head, retail and partner, PwC, fashion retailers are looking at loss of 30-50% in revenues in FY21 due to the pandemic.

“The consumption occasions for which people buy fashion have significantly come down. Consumers are also cutting down on their discretionary spends fearing an economic downturn. These are the biggest challenges for retailers,” says Mathur.

Furthermore, companies have unsold inventory due to the lockdown and are offering discounts to get merchandise off the shelves, in order to ring in new collections by Diwali. “This strategy, however, might not be very effective as consumers are not making feel-good purchases and are, instead, opting for need-based purchases,” he adds.

Fashion retailers are also focusing on their loyal customer base instead of trying to acquire new customers. “About 45-60% of consumers coming to our stores are frequent customers,” shares Sundeep Chugh, CEO and MD, Benetton India. The company’s store managers are in touch with customers, keeping them updated about the measures taken in-store to ensure safety. “We are sending them catalogues through WhatsApp and are also delivering products if they are unwilling to visit the store,” he adds. Benetton India is currently operating through 225 point of sales outlets.

Shoppers Stop, too, has taken similar measures for its loyal customer base. “We have been reaching out to our First Citizen customers, which contribute about 80% to our revenue. Our personal shoppers have been in constant touch with them and are delivering products to their homes too,” says Uma Talreja, chief marketing and chief customer officer, Shoppers Stop.

Furthermore, brands have also introduced several home services to win back the customers. Marks & Spencer, which has reopened seven stores in the country, is offering trial-at-home, online return of products and has extended the exchange and return window for its products to 90 days.

Bestseller, on the other hand, has opened its stores in Goa, Bengaluru, Chandigarh, Haryana, among others, and is offering appointment-based shopping to its customers.

“While we have realigned our strategies, the movement in our stores is slow and the demand is low but the conversion rate has shot up considerably as people are coming in with a clear intent to buy,” says Vineet Gautam, CEO and country head, Bestseller India.

Companies are also managing inventory by tracking sales. Most brands have seen a surge in demand for comfort and kids wear, and are sprucing up production to meet the demand for such products.

Source: financialexpress.com– Jun 01, 2020

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Boosting exports is key to the quick revival of MSME sector: Nitin Gadkari

The imposition of stringent lockdown measures for over 65 days to contain the coronavirus pandemic brought economic activity to a standstill, hitting small businesses—major job creators and the backbone of the Indian economy—the worst.

Last month, the government announced a slew of measures to rescue the micro, small and medium enterprises (MSMEs), which included collateral-free, automatic loans of up to ₹3 trillion backed by government guarantee, and updated definition of MSMEs, besides expediting payment of pending dues.

The measures were part of the ₹20-trillion financial package to restart and support the economy. In an email interview, Union MSME, road transport and highways minister Nitin Gadkari said while the ordinance to update the definition is expected shortly, the other moves will help them become self-reliant and go beyond the domestic market. Edited excerpts:

The PM spoke about building an Aatmanirbhar or self-reliant India. What role will MSMEs play?

MSMEs in India have been accepted as the engine of economic growth and for promoting equitable development. The sector is poised to contribute immensely to the vision of a self-reliant India.

The labour intensity of the MSME sector is much higher than that of large enterprises. These small businesses are credited with generating the highest rate of employment growth, and account for a major share of industrial production and exports.

With the help of ongoing support measures, and other schemes, such as technology upgradation, financial support and established market linkages, throughout their business life cycle, MSMEs will play a vital role in the overall growth of the industrial economy of India.

With its agility and dynamism, the sector has shown admirable innovation and has high potential to contribute to economic growth.

How will the new definition help MSMEs expand? Do you plan to bring an ordinance to make the changes?

The criteria for the classification of MSMEs have been revised, with a perspective of refining the business scenario for Indian companies and making them competitive in the international market. Based on the new definition, the MSMEs will be able to explore business avenues, considering the changes in investment and addition of turnover criteria. Further, MSME ministry's schemes are also under review to further extend benefits to MSMEs and strengthen the sector. This will definitely lead to development of a supportive ecosystem for MSMEs and will help them explore various opportunities in domestic and global markets. We have received representations from the industry to further tweak and increase the proposed turnover limit of medium enterprises to ₹200 crore (from the proposed ₹100 crore announced by the ministry of finance last month). This will enable more firms to avail the benefits announced for the sector. We are examining that proposal.

The decision to bring policy-level changes requires deliberations with related stakeholders to understand the impact of proposed changes.

The definition of MSMEs has been discussed in detail with all concerned and related plan of action was designed on the basis of the same.

The process took time as efforts were made to incorporate suggestions and inputs from concerned stakeholders. The proposed ordinance is expected shortly.

How easy will it be for MSMEs to get loans from banks and non-bank lenders, considering that the government has offered 100% credit guarantee cover to these lending institutions on principal and interest payment?

While the announcement of a collateral-free loan with 100% credit guarantee by the Centre has been made, we have already rolled out the detailed guidelines in consultation with various stakeholders to make it efficient amid the covid-19 crisis.

Necessary steps have been considered while designing the operational guidelines of the scheme to ensure easy disbursement of loans to MSMEs.

We are also working towards strengthening NBFCs, state co-operative banks, district cooperative banks and other financial institutions to enable easy access to finance for MSMEs.

MSMEs were under stress even before the outbreak of the global pandemic, one key reason being falling demand. How do you plan to address this?

The impact of covid-19 is long-term in nature and for quick revival of the MSME sector, the need of the hour is special focus towards boosting exports. Necessary practices will be adopted by enterprises to reduce power and logistics costs, as well as cost of production to become competitive in the overseas market.

Further, there is a need to focus on import substitution to replace foreign imports with domestic production.

Enterprises should make use of technology, research, innovation to improve quality of products. An improvement in techniques can play a major role towards industrial development and global expansion.

In this regard, necessary steps are under process, including development of a digital platform to carry out business-to-business activities on an internal level, establishment of new centres for technology upgradation and industrial clusters development, among others.

Could you give us an estimate of the amount that the government and state-owned institutions need to pay to clear the dues of MSMEs?

Liquidity shortage is the biggest challenge being faced by Indian MSMEs today. They are engaged with the government at various levels, including the Centre and states, besides central public sector enterprises (CPSEs). The amount due may be significant. The government is making all necessary efforts to ensure that all central government, state government and CPSEs release their pending dues at the earliest.

Paying salaries has been a key concern for small businesses. Will government take any step to address it?

The government understands the challenges faced by MSMEs, in terms of paying salaries. In this regard, announcements have been made under the special Aatmanirbhar Bharat package, and liquidity relief is being given for EPF (Employees' Provident Fund) establishments to support MSMEs in paying salaries.

In the 12% each of the employer-employee contribution that was being financed by the government under Pradhan Mantri Garib Kalyan Yojana, the Centre is now extending the support—which it gave earlier from March-May—by another three months against the salaries of June, July and August.

As many as 360,000 establishments had benefited from this move. This will amount to ₹2,500 crore liquidity support which will benefit 7.2 million employees.

Further, statutory provident fund or PF contribution for employer and employee will be reduced to 10% from 12% for the next three months (for all companies covered by Employee's Provident Fund Organization).

However, for Centre and state enterprises, employers will continue to pay 12%, but the employees will be given the benefit of paying only 10%. This equates to ₹6,750 crore liquidity relief for next three months.

Source: livemint.com– Jun 01, 2020

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Textile mill owners doubtful, anxious about resurrection process

The measures announced by the Finance Ministry and the RBI though sound lucrative and reassuring to revive the lost hope and belief of various textile mill owners. the majority of the mill owners are still doubtful and anxious about the possibilities of the resurrection processes happening to the ground level, South India Spinners Association (SISPA) claimed Saturday.

In a statement titled "Darker Side of Covid-19 Impact on Textile Mills" SISPA President, N Murugesan said that the main request of all the industries to the Government was to waiver of interests for a period of six months along with interest subvention for one year to facilitate the revival of the industries to which no heed was paid.

The measures taken to grant loans by banks to industries are another burdenbto the heavily depleted industries as the monthly repayments become higher than the already existing payments at a time when the markets for large scale demand and supply are not in favour of the same, he said.

The textile industry that forms the backbone of the industrial sector is receiving the wrath of the governmental regulations at a time when it needs all the support.

All the textile mill owners despite exhausting their long-time savings are at the crunch of their time to look up to the government to help them reach the light at the end of the tunnel, Murugesan said.

“On 24 March, 2020 the Government of India under Prime MinisterbNarendra Modi ordered a nationwide lock down for 21 days, limiting movement of the entire 1.3 billion population of India as a preventive measure against the COVID-19 pandemic in India,” he said.

Stating that all the industrialists as they were forced to shut down their industries for a period of 21 days which was extended to another 45 days,he said that the textile mills that operated 24 hours a day throughout the year were now witnessing a never seen before lockdown.

With both the Central and the State governments requesting allbthe industries to take care of their migrant workers and also as a form of giving back to the migrant workers who form the backbone of the working sector in all textile mills.

All the mills provided free food, water and housing to all thebmigrant workers for the entire period of the lockdown.

With the recent lockdown relaxations, the migrant workers started to go back to their respective states due to uncertainty of the pandemic Covid-19 and the mills have no alternative resources and are completely devastated as they have no idea when they can reopen their production activities as the majority of the workforce were migrant labours.

The future for the textile mill owners despite catering to the migrant with the best amenities possible, look unrealistic for future operations until the workers return.

The State EB Department imposed another ludicrous fine on the already financially burdened textile mills for non-utilization of power and thee mills were sent bills for the month of April, with a 90 per cent payment of MD charges and a hefty fine for not maintaining the Power Factor.

This was completely unreasonable as the textile mills did not shut down to cater to their own interests but followed the Government's orders to cater to the pandemic. When the textile mills owners were expecting to pay only for the utilized power, the bills from EB Department hit hard on the mill owners and their livelihoods, he pointed.

The textile mills have now taken this judicial system to fight for this unfair and mercenary decision by the Government, which was not expected during such troubled times for the entire Textile Industry, Murugesan added.

Source: covaipost.com– May 30, 2020

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Truckers breathe easy as curbs on inter-State transport go

Association seeks financial package to tide over the crisis

The transport sector, which was badly hit with the prolonged lockdown, got a breather with the removal of curbs over the inter-State transport. The Union government allowed transporters to ply vehicles to all States from June 8. Goods movement will be on track in the State with the free movement of exports and imports through lorries.

Although the government had given many relaxations during the lockdown-3, industries and business houses could not get materials from other States with the ban on inter-State movement of vehicles. Many pharmaceutical companies and other industries located in Vizianagaram and Srikakulam districts could not get raw material from other States with the lockdown imposed on March 24.

The textile business was also affected since the markets of these two districts completely depend on Tamil Nadu, Gujarat and West Bengal for materials. Cashew industry in Palasa-Kasibugga has also got relief with the removal of curbs on movement of vehicles.

The transport sector welcomed the relaxation. But said that the industry would be able to resume its activity only when the Union and the State governments extend helping hand. AP Lorry Owners Association vice-president M. Janakiram Reddy said that the government's support to the industry was need of the hour to begin full-fledged operations.

"The transport sector could not get any direct financial package from the Union government. At least now, The Centre should announce a package since lorry owners were burdened with payment of EMIs to banks and private financial companies. The government should also waive tax and insurance premiums for at least one year," he said.

'Lack of manpower'

North Andhra Lorry Suppliers Association leader Gude Vasu said that the demand for vehicles would improve only when the economic activity is revived. He said that vehicles were ready for goods transport but lack of sufficient manpower is a problem.

"Many drivers and cleaners had left for their native places with the lack of work and livelihood for the last two months. Bringing them back to the work will be a Herculean task since coronavirus continued to pose threat to their lives," he added.

Source: thehindu.com– May 31, 2020

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