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IBTEX No. 24 of 2018 February 02, 2018

USD 64.11 | EUR 80.11 | GBP 91.44 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18979	39700	**79.64**

Domestic Futures Price (Ex. Gin), February

Rs./Bale	Rs./Candy	USD Cent/lb
20110	42065	**84.38**

International Futures Price

NY ICE USD Cents/lb (March 2018)	77.28
ZCE Cotton: Yuan/MT (Jan 2018)	14,975
ZCE Cotton: USD Cents/lb	**91.81**
Cotlook A Index – Physical	**92.85**

Cotton guide: The start of the month February is very interesting for Cotton. The most active March settled the session higher at 78.35 USCTS/LB up by 107 points from previous close. In last two days cotton gained over 132 points however, followed by a net loss of 639 points in previous weeks. Interesting facts to look at is the continuous reduction in open interest and rise in trading volume. Market seemed to be in a hurry while failed to hold below 77 though it had made an intraday low of 76.50 cents.

Usually if price (bearish) trend is supported by higher volume and cut in open interest it is treated as long liquidation. The cotton market witnessed the same in last three weeks. Price fell from 84.65 to 76.50, open interest declined from 0.321 million contracts to 0.304 and the aggregate trading volume increased from 20K contracts to approximately 70K+ contracts.

The important point to observe now is the price rebounding from 77 cents and making intraday high near 80 cents and closed the session on the 1st day of the month higher at 78.35 cents. This is a clear signal that bulls have not allowed the market to damage the long term bullish trend. Nonetheless, impressive weekly export sales figure and frightened fixation by millers on the prior unfixed positions have supported the price to rebound higher amid there was huge long liquidations by the speculative funds.

For reference the weekly export sales stood better for both sales and shipments. Combined net sales for the week ended January 25th were 344,800 bales (upland 334,000/pima 10,800) includes cancelations of 17,300 bales. Also the total 2017-18 sales reached 12,203,700 bales, 2.01 million bales ahead of last year.

Going forward market is going to be more uncertain because of tug off between long liquidation by specs and millers fixation. This morning ICE cotton for March is trading 78.66 up by 0.40% from previous close. We believe since there are no data lined up today and USD index continues to hold below 89 against major currencies may keep the cotton price on the elevated level. Also general weakness in global equity markets may keep the commodities price on positive tone.

From the technical perspective first of all market has taken respect of 50-day moving average as support level. We believe as long as it holds the support cotton may continue to trade positive or may get into some sort of sideways trend. However, on the higher side 80 cents seems to be a key resistance level. We might be sounding slight optimistic on cotton price today but the nature of trade action that is witnessed in last two days holding the market pulse onto positive trajectory. So broadly in the interim the trading range may be 77 to 80 cents. Either side break out shall give a clear picture in the market.

Coming to domestic front, spot price for S-6 variety has advanced marginally from Rs. 40000 per candy to Rs. 40250 per candy amid steady arrivals. Therefore, the domestic future price for February contract closed the session on Thursday at Rs. 20300 per bale up by Rs. 250 from previous close. On today's trading session we expect a sideways trading range of Rs. 20200 to Rs. 20450 per bale for the mentioned future contract.

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

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INTERNATIONAL NEWS

Chinese imports via Bangladesh route hurting local textile industry

The flow of Chinese yarn and finished fabric through the Bangladesh route is giving a difficult time to the textile industries at home, comprising primarily of the Micro, Small and Medium Enterprises (MSMEs), Punjab Pradesh Beopar Mandal said.

Punjab Pradesh Beopar Mandal president PL Seth in a press interview raised that China is exploiting and entering the market at cheap price by routing its material through Bangladesh.

“Since Bangladesh is exempted from paying any duty under the SAARC agreement, Chinese yarn and finished fabric is able to enter our markets through Bangladesh”, Seth said.

Along with the local textile industry, local dress material industry as well as printing industry is at stake due to the unfavourable competition, he added. Industrial areas of Ludhiana in Punjab as well as Bhilwara in Rajasthan houses a number of textile units making different kinds of fabrics including suiting, shirting, blazer and blankets.

With the market condition moving from bad to worse, these units as well as the large share of population that finds employment in these units are nearing a vulnerable stage, Seth said.

Source: knnindia.co.in- Feb 01, 2018

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Chinese fabrics, dyeing millers shifting business to Bangladesh

Chinese woven fabric maker Changzhou Edelweiss Printing & Dyeing Co Ltd has been making good business in Bangladesh riding on growing demand from apparel industries, a top official of the company said yesterday.

“Bangladesh is a very promising country for us as our business has been growing at over 100 percent in the last three years,” says Md Ibrahim Khalil, assistant general manager of the company.

“We sell five million yards of fabrics worth $12 million a month in Bangladesh,” he said.

Khalil was talking to The Daily Star in his stall at the “13th Dhaka International Yarn & Fabrics Show 2018 -- Winter Edition” at International Convention City Bashundhara in the capital.

Two other exhibitions—“Second Dhaka Int'l Denim Show 2018 – Winter Edition” and “30th Dye+Chem Bangladesh 2018 International Expo - Winter Edition”—are taking place on the premises. The four-day fair started yesterday.

Changzhou Edelweiss has been selling the cotton blended stretched woven fabrics in Bangladesh thanks to rising demand from international retailers and brands for this particular kind of fabric for apparel production in the country.

Khalil opened the company's office in Dhaka five years ago, before which it was involved only in bringing products from China to Bangladesh.

“Political stability has helped businesses achieve a rapid growth over the last four years in Bangladesh. The businesses will grow automatically if such stability sustains.”

The international retailers and brands always examine the existing political scenario before placing work orders in Bangladesh. The present year is very important for businesses such as retailers, brands and manufacturers as it would see the national election.

Khalil said many fabrics dyeing companies were shifting their businesses from China to Bangladesh, Vietnam, Cambodia and India, as Xi Jinping's administration has imposed stricter laws on running of effluent treatment plants for dyeing purposes.

If Bangladesh can tap this opportunity, it will be highly benefited from the shift of businesses, he said.

Echoing Khalil's words on the business potential in Bangladesh, Andy Shen, general manager of Fanglong Textile, another Chinese fabric maker, said he would also open an office in the country.

Shen, who has been doing business in Bangladesh for the last five years, said his business was growing here while the number of clients spiralling.

He started his business by supplying fabrics to two to three garment makers, and now he plans to serve major foreign buyers.

In the last few years, the price of fabrics fell to a great extent in Bangladesh while production cost saw a rise in China, he also said.

The global consumption of apparel items has also been falling as

consumers now prefer spending more on electronic gadgets than on clothing, he said.

After successful achievements of the previous editions, CEMS Global - Conference & Exhibition Management Services Ltd and the Sub-Council of Textile Industry, China jointly organised the show, CEMS said in a statement.

These three events will cater to 350 international exhibitors from over 21 countries, according to the statement.

They are showcasing the latest kind of yarn and fibre, fleece, knitted fabrics, coated artificial fur, artificial leather, denim accessories, embroidery, digital printer, adhesives and dyestuff, it said.

The products are ready-to-use for garment, accessories, industrial use and other various applications, CEMS said.

Amir Hossain Amu, industries minister, inaugurated the event where Chen Wei, charge d'affaires of the Chinese embassy in Bangladesh, and Md Atiqul Islam, president of the Centre of Excellence for Bangladesh Apparel Industry, were also present.

Source: thedailystar.net- Feb 01, 2018

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NAFTA Looks Less Likely to Die After Sixth Round of Talks

The sixth round of the North American Free Trade Agreement talks ended in much the same manner as the fifth: with a little headway and a lot of leftover uncertainty. What does appear to be different, however, is the doomsday outlook from the last round that left NAFTA's fate seemingly hanging by a thin thread.

The U.S., Mexico and Canada are at least united in the belief that "some" progress was made.

In closing statements Tuesday, U.S. Trade Representative Robert Lighthizer said, "The United States views NAFTA as a very important agreement. We are committed to moving forward. I am hopeful progress will accelerate soon."

His comments follow President Trump's on Thursday in a CNBC interview on the sidelines of the World Economic Forum in Davos, Switzerland, while the NAFTA talks were ongoing, that "I may terminate NAFTA, I may not—we'll see what happens."

Lighthizer took first in his remarks, to clearing up chatter about the United States' trade relationship with Canada.

"I think there is some misunderstanding here that the United States is somehow being unfair in these negotiations and that is not the case," Lighthizer said at the end of the talks in Montreal. Using Canadian statistics, Lighthizer continued by saying Canada has a more than $87 billion dollar trade surplus with the U.S.—which, he said, amounts to roughly 5.7% of Canada's GDP. "...is it not fair for us to wonder whether this imbalance could in part be caused by the rules of NAFTA? Would Canada not ask this same question if the situation were reversed? So we need to modernize and we need to rebalance."

NAFTA negotiators closed the chapter on anticorruption and "finally began" to discuss some of the core issues, according to Lighthizer, who said the talks are still moving too slow for the three nations' citizens, "who are operating in a state of uncertainty."

Rules of origin has been an impediment in the talks, as the U.S. has been pushing for increased American inputs on autos in particular, and Canada and Mexico have been pushing back. So far, as Lighthizer made clear, there has been no compromise on rules of origin.

"We find that the automobile rules of origin idea that was presented [by Canada], when analyzed, may actually lead to less regional content than we have now and fewer jobs in the United States, Canada and likely Mexico. So this is the opposite of what we are trying to do," Lighthizer said.

Addressing another Canadian proposal the U.S. isn't on board with, Lighthizer said, "Canada reserved the right to treat the United States and Mexico even worse than other countries if they enter into future agreements. Those other countries may, in fact, even include China, if there is an agreement between China and [Canada]. This proposal, I think if the United States had made it, would be dubbed a 'poison pill.' We did not make it, though. Obviously, this is unacceptable to us, and my guess is it is to the Mexican side also."

Speaking on Mexico's own behalf, the country's secretary of economy Ildefonso Guajardo, said during a press conference Monday, "We are in a better moment in this negotiation process."

He agreed the progress was made on the anticorruption chapter, and that other chapters on digital trade and telecommunications "registered progress of 90 percent" and should be settled during the next round of talks.

On trade, Guajardo said, "Customs and trade facilitation is also moving swiftly, and the new rules that are being crafted are more advanced than the Trade Facilitation Agreement of the WTO or what was achieved in TPP."

Canadian foreign affairs minister Chrystia Freeland, who has called the U.S. out in recent talks for "troubling" proposals that she felt were on track to undermine the negotiations, said this time during a press conference, "We made some progress in this round.

We succeeded in together addressing some of the core issues and starting to talk about the unconventional U.S. proposals—having said that, there is still a significant gap on a number of issues and we are going to be working extremely hard, extremely energetically, with our two partners to try to close those gaps."

The seventh round of NAFTA talks is set for Feb. 26 to March 6 in Mexico.

Source: sourcingjournalonline.com- Feb 01, 2018

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Texworld USA Reveals New Fabric Trends Among Exhibitors

New looks in denim and advances in technical fabrics were hot topics at the recent **Texworld USA**, a large fabric sourcing event held Jan. 22–24 at the **Jacob K. Javits Convention Center**.

More than 4,000 visitors made their way through the large exhibition space, which featured a number of overseas exhibitors, especially from China and other parts of Asia.

Activewear and athleisure trends have been driving fabric innovation, said Show Director Jennifer Bacon. "Athleisure has been a big movement," she noted. "But we noticed denim starting to make a comeback—though it might not be your classic five-pocket indigo."

Indeed, many of the denim manufacturers at Texworld USA were showing fabrics with surprising patterns, thanks to new digital-printing methods. For athletic apparel, Chinese textile manufacturer **Hanuo** displayed a range of technical fabrics, including one with special reflective fibers. "When light shines on it, you can see different designs on the fabric," said Dorothy Feixian of Hanuo.

Sustainability and ethical sourcing were also major topics at the show. “People want to know the backstory of what they’re wearing and where it’s coming from,” Bacon observed. Responding to this interest, Texworld USA featured almost 20 sustainable exhibitors and presented a half-dozen seminar sessions on sustainability and related topics including supply-chain transparency, the circular economy and the environmental impact of microplastics.

Denim is making a comeback.

“It’s about planet, people and profit,” said Tricia Carey of **Lenzing Fibers**, which organized the seminars. “There always has to be a balance between them.”

As an example, she mentioned closed-loop processing, in which nearly 100 percent of solvents are reused in the manufacturing of the Lenzing fiber **Tencel**. “That’s beneficial not only from a sustainability standpoint but from an economic standpoint,” she said.

“We are trying to educate the consumer,” said Megan Meikeljohn, the sustainable materials and transparency manager at the clothing label **Eileen Fisher**, who was speaking at a seminar on sustainability and transparency in apparel. “We are talking more about the process and why we’re selecting certain fibers. For example, linen is a rotational crop. To maintain that organic certification, all crops in between the linen crops also have to be organic,” she explained.

While Eileen Fisher and outdoor apparel company **Patagonia** have successfully targeted consumers who will pay more for sustainably made clothing, some value-priced brands are also making strides. “ **Target** has done a great job,” she said. “They have a polyester policy, a wood-pulp policy and a cotton policy.”

Jessica Kelly, founder and chief executive of the ethical fashion brokerage **Thr3efold**, an exhibitor in the Resource Row section of Texworld USA, also sees growing demand for ethical sourcing. “We work on connecting brands to ethical factories around the world,” Kelly said. “Finding a [sustainable] factory overseas is like finding a needle in a haystack. We have relationships with factories that are certified and doing incredible work with wastewater management, chemical dyes and how they’re treating their employees.”

The embassy of Uzbekistan was another exhibitor on Resource Row. In recent years, Uzbekistan has drawn international criticism and boycotts for unethical labor practices in its cotton fields.

However, the country's new president, Shavkat Mirziyoyev, has moved to reform these practices as part of a broader push to strengthen economic ties to the West.

Recently, Uzbekistan increased its textile exports to the U.S. from approximately $600 million in 2011 to $1.2 billion in 2017.

More than a dozen U.S. organizations—some with foreign ownership—also exhibited at Texworld USA, most of them in the Resource Row section. Those included **Arch Technologies**, **GTCNY** and **Buhler Quality Yarns**.

Marty Moran, chief executive of Buhler, based in Jefferson, Ga., which was acquired last year by South Korea–based **Samil Spinning**, said that in spite of shifting global trade patterns, "It makes sense to spin yarn in the U.S."

He noted that California is a major producer of extra-long-staple**Supima** cotton, so "you get access to the cotton. Energy rates, especially in the Southeast, are incredible. And yarn spinning doesn't require as much labor as other textile processes."

These advantages have attracted foreign investment from Canadian underwear manufacturer **Gildan** and Chinese textile manufacturer **Keer**, both of which built spinning mills in North Carolina.

Moran said the company's new owners, Samil, have a vision to do business in the Western hemisphere. "That is a very positive thing," he said.

Source: apparelnews.ne- Feb 01, 2018

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USA: AATCC to conduct textile testing workshop

AATCC, a leading not-for-profit association serving textile professionals, is set to conduct a textile testing workshop on May 16 and 17, 2018, at the AATCC headquarters in Research Triangle Park, US. AATCC provides test method development, quality control materials, and professional networking for members in about 50 countries throughout the world.

The workshop is a must-attend event for companies involved in product evaluation, specifications, and quality control for apparel and textile materials.

Attendees will learn how to properly perform and interpret test results for approximately 20 colourfastness and physical properties test methods and evaluation procedures.

Colourfastness tests to be addressed include crocking, light, washing, and perspiration. Tests for evaluating physical properties include dimensional change, skewness, soil release, water repellency and resistance, and appearance retention. AATCC staff will discuss and demonstrate these procedures and registrants will be involved in hands-on participation.

Sessions will be conducted on basic colour theory and measurement. Participants will be shown how to use the AATCC gray scales for staining and colour change and the AATCC chromatic transference scale.

ASTM methods, D1424 standard test method for tearing strength of fabrics by falling-pendulum (Elmendorf-Type) apparatus and D5034 breaking strength and elongation of textile fabrics (Grab Test) will also be discussed and demonstrated. (GK)

Source: fibre2fashion.com- Feb 02, 2018

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Technology and the future of Bangladesh's apparel industry

Bangladesh has drawn global attention as a "development surprise," thanks to our impressive economic performance – with an average GDP growth of over 7% for the last two years — and improvements in other socio-economic parameters.

It has already attainted the status of lower middle-income country and made tangible progress in the areas of industrialization, education, health, trade, infrastructure, energy and power, ICT and other service sectors.

According to PWC's predictions, Bangladesh will be the 28th largest economy by 2030.

Industrial development has a major role to play in realizing this potential as it will be a key driver of our economic growth. The ready-made garments (RMG) industry of Bangladesh has considerable strengths and immense potentials to complement this growth.

The RMG industry has been the flagship of our manufacturing sector, accounting for more than 81% of our total exports.

The industry has made significant contributions to our nation's socio-economic development in terms of employment generation, poverty alleviation, women empowerment, girls' education, reducing child marriage rate and many more.

Growth in the global apparel market is expected to pick up again over the coming years after a period of decline in global apparel trade in recent years. Apparel buyers are looking for alternative sources — faster, more sustainable and technologically compatible manufacturing sources.

The world is rapidly changing as it under goes the fourth industrial revolution where smart technologies will redefine economic activity and usher us into a new era.

Today technology does not mean only machines to improve productivity, energy and resource efficiency, but also in the area of managing supply chain, retailing online and smart clothing.

When we look at our industry on a perspective of global advancement, we find ourselves significantly lagging behind; although, quite encouragingly, our factories have started moving from semi-automatic to more automatic set-up.

Low liquor dyeing machine, ozone washing machines, SAP, ERP and such technologies are already becoming common.

Moreover our progress in eco-friendly industrialization has gained significant momentum in recent years. We have now 67 green factories certified by the United States Green Building Council, of which 13 are platinum.

Moreover, 280 more factories are in the pipeline for getting USGBC certification and many more are preparing for it.

Keeping up with tech

While it's excellent that we are responding to environmental needs, we must also make use of new patterns and fourth generation technologies including the advanced applications of information technologies in our supply chain management, ie IOT (internet of things).

At the same time we have to enhance our productivity and efficiency, which requires technology upgrades and modernization of factories.

Speed and optimum use of resources will be the key to future business success and sustainability. Looking further forward, 3D printing technologies is anticipated to bring major disruption in fashion manufacturing and retailing.

It's important not to get complacent about the fact that China is gradually shifting from basic to mid-range apparel because of growing production costs. While this may be an opportunity for us to grow our market share in basic apparel, it can also keep us trapped in the lower-end of the market, as China gets relatively richer by selling more expensive apparel.

We should, therefore, closely observe how China is re-structuring their industry through the use of new technology, automation, and advanced robotics to gain more competitive advantage and offer innovative products at lower prices.

Diversification of fashion items and innovation is a critical area for our long term growth sustainability. It's a good sign that Bangladesh is gearing up to cater to the needs of high-end and branded fashion segments.

In recent years, our RMG exports have expanded to include items like suits and blazers, lingerie, active-wear and outerwear, and non-cotton items. We have to reduce our dependence on basic products and build our capacity ourselves to meet the demand of high-end and branded fashion segments in order to accelerate the industry's growth.

Considering the importance of technological upgrades for the future success of apparel industries, our competing countries have introduced special policy support like the Technology Upgradation Fund Scheme (TUFS) for the garment and textile industry in India.

Bangladesh has made tremendous progress in digital transformation over the last decade under the government's "Digital Bangladesh" initiative; we have to now reap the benefits of digitalization by embedding it in our industry for which we need policy support.

This will ultimately result in more export earnings for the country. Besides, our entrepreneurs need to be up-to-date about the latest technological advances in the industry and proactive in embracing them.

Improve skills

Bangladesh is now passing through a golden age in term of its population dividend. About 70% of our population is under 40.

While there is a concern about technologies killing jobs, we should rather be more concerned about why a significant part of our talented youths are unemployed whereas a good number of foreign experts are working in Bangladesh in highly-paid managerial positions.

The gap between our education system and industry needs to close. We need to identify the gap between demand and supply for skills, factoring in the changing needs of industry in the near-future.

We need a stronger collaboration between manufacturers, buyers and experts to identify present and future needs in terms of skills in the job market.

We need a harmonious balance of informed policy, appropriate institutional framework, and efficient allocation of resources to produce market-driven skills.

Needless to say that Bangladesh has successfully faced a number of challenges in its 35 years' of experience in apparel manufacturing, including the elimination of child labour in 1994, and made progress in the areas of social compliance.

Currently we are working on workplace safety and environmental sustainability issues. We are working with the government, ILO, brands & retailers, donors, international agencies and foreign governments to ensure workplace safety factory by factory. Today we are proud to say that Bangladesh is in a new era of industrialization having probably one of the safest apparel industries.

While we are taking all these positive steps and our factories are increasingly investing money in safety and sustainability, we are still living in the age of price cuts!

In a highly competitive free market economy, prices cannot be dictated by individual producers. But at the same time, the price must be high enough to ensure that workers are paid a fair, living-wage.

Since technological advancement would be a new horizon of opportunities for all the partners in the global fashion supply chain, there needs to be a collaborative approach between buyers and suppliers supported by the government and development partners so that it creates a win-win situation for all.

The opportunities in global sourcing can only be tapped into when there is collective and collaborative action by stakeholders across the global value chain.

Source: dhakatribune.com- Feb 01, 2018

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Sri Lanka's apparel exports grow 3.06 pct in 2017

COLOMBO, Feb. 1 (Xinhua) -- Sri Lanka's apparel exports grew by 3.06 percent last year compared with that of 2016, the Industry and Commerce Ministry said on Thursday.

The ministry said the value of Sri Lanka's total apparel exports reached a record high of 4.818 billion U.S. dollars last year from 4.67 billion U.S. dollars in 2016.

According to the ministry, 45 percent of Sri Lanka's apparel products were exported to the United States and 42 percent to the markets in the European Union.

The ministry also said that two-thirds of Sri Lankan apparel workers were women currently, therefore it is the major industry supporting the country's female labour force.

Apparel products account for more than half of Sri Lanka's total exports.

Source: xinhuanet.com- Feb 01, 2018

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Why Apparel's Biggest Battle Pits Amazon Against Target, Not Walmart

Barely a week goes by without another analyst pinning a wild estimate on Amazon's clothing and footwear sales. The truth is that no research firm knows how much apparel Amazon sells — but it's certainly measured in the billions of dollars, and the figures are likely growing fast, making the company a significant threat to the largest incumbent apparel retailers.

Our team's comprehensive new survey on Amazon fashion has uncovered an abundance of detail on who is buying fashion on Amazon and why, as well as which retailers those shoppers are switching their spending from. One major takeaway from our research is that, in apparel at least, the biggest battle does not appear to be Amazon versus Walmart, or Amazon versus department stores, but Amazon versus Target. A number of our survey findings point to Target being challenged by Amazon's growth in fashion:

Confirming Amazon's scale in apparel, our survey found that Amazon is neck and neck with Target as the second-most-popular clothing and footwear retailer in the US, as measured by number of shoppers. Only Walmart has more shoppers.

When we asked Amazon clothing and footwear shoppers which retailers they had switched their apparel spending from, the number one answer was Target. That's despite Walmart having a sizable lead over Target in terms of total apparel sales and shopper numbers. And it's despite the fact that several major department store retailers have suffered from falling sales in recent years — a trend that many commentators have pinned on the rise of Amazon.

Moreover, when we asked Amazon apparel shoppers where else they buy clothing and footwear, more of them named Target than named major department stores and off-price retailers and a significantly larger number named Target than named Walmart. So, the data suggest a sizable shopper overlap between Target and Amazon, implying that Target could lose out as Amazon grabs further apparel sales.

Finally, Target apparel shoppers are more likely than apparel shoppers at most other major retailers to have an Amazon Prime membership — and our survey confirms that Prime membership drives shopping, including apparel shopping, at Amazon.

Target's financial reports suggest that its apparel sales have held up: In recent years, Target has consistently reported that clothing, accessories and footwear make up about 19% of its total sales. The retailer has also been strengthening its fashion offering; last fall, it unveiled four new apparel labels as part of a raft of 12 new private labels. It launched its limited-time Victoria Beckham For Target range last year, too.

As Amazon continues to launch new private labels and grow sales in apparel, major established retailers will have to fight harder for consumers' apparel dollars by offering greater newness, exclusivity and innovation. In addition, as these competitors seek to Amazon-proof their offerings, we may see more of them follow the path that Walmart took in 2017, when it acquired a suite of digital-first brands, including ShoeBuy, Moosejaw and ModCloth.

Source: forbes.com- Feb 01, 2018

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NATIONAL NEWS

Budget 2018 in two minute – All you need to know

Presenting the Budget for FY19 in Parliament on Thursday, finance minister Arun Jaitley put the spotlight on rural India, agriculture and job creation, projected a jump in revenue buoyancy thanks primarily to a stabilising goods and services tax (GST), but still took a pause on fiscal consolidation. The slippage, though bigger than markets expected, wasn't large enough to raise the hackles of rating firms — an analyst at Moody's Investors Service, which announced a rating upgrade for India in November, said the Budget was in line with the country's fiscal consolidation plan and that the "spending announced seemed to be on productive investments". Jaitley also embraced an expert committee's suggestion to bring down the Centre's debt-to-GDP ratio to 40% (from around 49% now). Capital expenditure via the Budget has suffered in the current financial year and is budgeted to remain low in the next year as well, but support from public sector enterprises and other extra-budget public investments are what Jaitley seeks to employ to spur the economy.

Small companies, better equipped to invest now with the Budget according them assorted tax and other incentives, will help fast-track the return of private capex cycle. Profit-making companies, looking to acquire stressed assets under the Insolvency and Bankruptcy Code, could now make them tools for tax planning too, as the Budget reduced the latter's potential minimum alternate tax liabilities and allowed both carry-forward of losses and depreciation even after ownership transfer.

Thanks to the rise in personal income tax buoyancy (2.11 in FY18 versus an average of 1.1 in the previous seven years) and GST, the Centre's tax-to-GDP ratio is estimated to be 12.1% next year, besting the peak of 11.9% achieved in the economic-boom year of FY08. The Budget's overall size is still not accelerating from the recent trend (10.1% growth budgeted for FY19 versus 12.3% in FY18). Jaitely, however, envisages a stepping up of investments in health, education, agriculture and infrastructure, although for many of the relevant schemes, the increase in outlays do not actually exceed the rate of the budget expansion and cumulative figures quoted by him include substantial off-budget funds.

The stock and bond markets reacted to the Narendra Modi government's last full Budget with some trepidation. After a brief frenzy, the BSE Sensex recovered but closed 0.16% lower than the previous close; the yield for the benchmark 10-year government bond rose 17 basis points to 7.60%. Apart from worries over the fisc, the stock market's behaviour was also impacted by the government's decision to impose a 10% tax on long-term capital gains from listed equities, although this blow to investors was tempered by a generous grandfathering of all profits till January 31. The new impost, which will coexist with the securities transaction tax and 10% short-term capital gains tax, will hit both foreign portfolio investors and retail participants — the former no longer have recourse to the Singapore and Mauritius treaties that helped them avoid capital gains tax in India. While mutual funds have been gaining traction among investors in recent years, the Budget slapped a 10% tax on distributed income from equity-oriented mutual funds.

Jaitley chose to limit a much-anticipated corporate tax cut to smaller companies — the tax rate on income of companies with a turnover up to Rs 250 crore will be 25% while larger firms will still shell out 30% of their profits as tax. The relief will be available to 99% of the companies filing tax returns, most of which are in labour-intensive industries; large corporations, mostly capital-intensive and automated, have the facility to reduce their tax outgo to well under headline rate by using assorted incentives.

In the largesse to the farm sector, the government offered to keep minimum support prices for select kharif crops to be one and half times the "production cost", a move that would help address rural distress and boost consumption but has the potential to fan inflation. Jaitely also announced a mammoth National Health Protection Scheme that could bring 50 crore people under health insurance cover — barring Rs 2,000 crore provided under the existing Rashtriya Swasthya Bima Yojana, the Budget has no outlay for this, though.

In steps aimed at boosting job creation, the minister extended the benefit of government contributing 12% of employer's share of employee's provident fund for new employees to all sectors for the next three years — the scheme is currently limited to textiles and leather industries. More importantly, the facility of fixed-term employment, which allows textiles and leather units considerable labour market flexibility without harming workers' interests, has been extended to all sectors.

While fiscal deficit for 2017-18 has been revised to 3.5% of gross domestic product (GDP) from 3.2% targeted, this deficit is seen at 3.3% for 2018-19, against 3% a glide path laid earlier demanded. (Had the Central Statistics Organisation-estimated nominal GDP estimate of Rs 166.3 lakh crore been used for the Budget instead of Rs 167.8 lakh crore, which is in sync with the Economic Survey's projection, the fiscal deficit for the current fiscal could have been higher at 3.58% of GDP.)

The Centre's net market borrowings are projected to be around Rs 4 lakh crore in FY19, down from Rs 4.8 lakh crore in 2018-17, which was up a third from the initial estimate. It has, however, cut the securities against small savings, a costlier way of bridging the deficit — Rs 75,000 crore is to mobilised via this route in FY19, against over Rs 1 lakh crore in the current year. The slippage is an even higher 70 basis points on the revenue deficit target for the current financial year (2.6% versus 1.9%), but this leeway was not enough to generate any additional growth relative to GDP in the Budget's size and accelerate budgetary spending, least of all capex.

However, PSUs, which have helped in a big way to sustain pubic spending in FY18 will critically support public expenditure in FY19 as well. Capex by PSUs was a huge Rs 4.8 lakh crore in FY18, up from Rs 3.9 lakh crore projected — and according to the plan, these firms will invest another Rs 4.8 lakh crore next year. FY19 Budget is estimated at 13% of the GDP, while the the corresponding figure for the previous five years was 13.3%.

Budgetary capital expenditure in FY18, despite the brisk pace in the initial months — up to November, 60% of the targeted Rs 3.1 lakh crore was spent — is being reined in to avoid a bigger fiscal slippage. Revised to Rs 2.7 lakh crore, capital expenditure through the Budget will be just 12.3% of total budget against 14.4% originally budgeted, and for FY19 too, it will be just 12.2% of the year's budget. Revenue expenditure, however, is not showing any signs of moderation, as food subsidy is estimated to rise 21% to Rs 1.69 lakh crore in FY19 and fertiliser subsidy, by 8% to Rs 70,000 crore.

The Centre has targeted a 16.6% increase in tax receipts next year, against 15.3% in the current fiscal. GST, which will be the single largest tax revenue source for the Centre in FY19, accounting for 23% of receipts, is estimated to garner Rs 7.4 lakh crore for it in the next fiscal, which means the combined receipts from this tax for the Centre and states in the year will be double that amount, or Rs 1.25 lakh crore a month. Although it is certain that GST revenues will pick up as this comprehensive indirect tax — which is widening the tax base and reducing evasion — stabilises, the estimate seems to be a bit ambitious, given that average monthly GST collections so far have been around Rs 88,000 crore.

Among tax proposals, long-term capital gains tax on listed equities will mobilise a substantial Rs 20,000 crore revenue and the hike in health and education cesses will yield Rs 11,000 crore. These revenue gains will be partly offset by Rs 7,000 crore forgone on the tax cuts for larger sections for corporate India and Rs 8,000 crore lost on introduction of standard deduction of Rs 40,000 for individual taxpayers.

Even though the Centre has crossed the disinvestment target for the current year — against a budgeted Rs 72,500 crore, Rs 1 lakh crore is set to be achieved — Jaitely has set the target for next year at Rs 80,000 crore. If the tax collections fall short and the spending needs to accelerated in the event of a prolonged stagnation in private investments, sale of stakes in firms could come in handy for the Centre next year too.

Source: financialexpress.com- Feb 02, 2018

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Chairman, TEXPROCIL welcomes Union Budget 2018

The Union Finance Minister , Shri Arun Jaitley announced the Union Budget for 2018-19 today.

Welcoming the Budget , Shri Ujwal Lahoti, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL) said " , the Budget is pragmatics ,growth oriented and all inclusive" .

The Government had approved a comprehensive textile sector package of `6000 crore in 2016 to boost the apparel and made-up segments The Budget has provided an outlay of `7148 crore for the textile sector in 2018-19. Shri Lahoti expressed hope that the increased funds allocated for the textile sector will cover fabrics also under the ROSL scheme.

The Budget has increased the financial outlay under the comprehensive textile sector package for apparel and made ups from Rs. 6000 crore to Rs.7148 crore. This will promote exports and production these two labour intensive sectors , according to Shri Lahoti.

The Government will contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years. Also, the facility of fixed term employment will be extended to all sectors. Shri Lahoti said, these measures will lead to employment generation and contribute significantly towards “Make in India” .

To incentivize employment of more women in the formal sector and to enable higher take-home wages, the Budget has proposed to make amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution. Shri Ujwal Lahoti welcomed this measure as it will lead to employment opportunities for women in the textiles sector especially in the value added segments like garments and made ups.

The Budget has increased the funds allocation under the TUF Scheme from Rs.2013 crores in 2017-18 to Rs. 2300 for 2018-19 . This is a positive step and will help in clearing some of the committed liabilities under the TUF Scheme , according to the Chairman , TEXPROCIL .

The reduced income tax rate of 25% allowed to companies who have reported turnover up to `250 crore in the financial year 2016-17 will greatly benefit the micro, small and medium enterprises , pointed out Shri Lahoti.

With regard to export marketing , the Department of Commerce will be developing a National Logistics Portal as a single window online market place to link all stakeholders . This is a positive step as it will provide marketing support to the small and medium sized exporters besides reducing transaction cost , said Shri Lahoti .

The increased budget allocation for infrastructural developments and the encouragement provided to organized farming in the Budget are all steps in the right direction , according to the Chairman , TEXPROCIL .

However, to promote exports of Cotton textiles ,the Chairman TEXPROCIL urged the Government to cover yarn and fabrics under the MEIS and ROSL schemes respectively .

Source: Texprocil Textile Intelligence- Feb 02, 2018

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Budget increases fund allocation for textiles to ₹7,148 cr

The fund allocation for the labour-intensive textiles sector —which provides jobs to about 45 million people—in Union Budget 2018-19 increased 14.7 per cent to ₹7,148 crore over the previous year.

The rate of growth in allocation for the new fiscal, however, is less than half of the increased allocation of more than 30 per cent to ₹6,226.5 crore in 2017-18.

The textiles industry had sought higher allocation from the government to meet the requirements of duty drawback and refund of state levies (ROSL) under the new GST regime. It also demanded higher disbursement under the Amended Technology Upgradation Fund Scheme (ATUFS).

"Adequate budgetary allocation for schemes such as refund of state levies and interest subvention benefits can help improve competitiveness of textile exporters and improve textile exports growth," ICRA had said in a pre-Budget note.

While allocation for the ATUFS has been increased to ₹ 2300 crore in 2018-19 from ₹ 1956 crore in 2017-18, it is still lower than the allocation of ₹ 2622 crore made in 2016-17.

Provision for ROSL for 2018-19 is higher at ₹2,222 crore compared to ₹1,939 crore last year, but it remains to be seen whether it would be enough to refund all state levies that the industry is paying.

As per calculations made by the industry, under the new GST and drawback rules, the reimbursements of taxes for the sector has gone down to the extent of 7 per cent (of the value of exports), whereas an additional incentive of 2 per cent has been given to the sector in the foreign trade policy review in

December. This resulted in a shortfall of 5 per cent which was leading to a fall in exports, according to the Apparel Export Promotion Council (AEPC).

Exports of garments and textiles declined 3 per cent in December 2017 to $2.99 billion, although in the April-December 2017 period it posted a growth of 2 per cent at $26.13 billion.

Source: thehindubusinessline.com- Feb 01, 2018

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Union Budget 2018: Demands not met, textile and diamond industries in Gujarat sulk

The diamond and textile industries in Gujarat were unhappy, with many of their demands not met in the Union Budget announced by Finance Minister Arun Jaitley on Thursday. Representatives of both industries had made pre-Budget suggestions to the Central government on the steps to be taken for the benefit of both industries as over 20 lakh people are associated with them.

The textile industry had been badly affected by demonetisation, Goods and Services Tax (GST) and e-way bill. The industry experts had claimed that due to the hard steps taken by the government, the downfall of the industry had started as large numbers of shuttle machines had been scrapped in Surat and even the production of textile fabrics had gone down by up to 40 percent. Many weavers and traders switched over to other businesses.

At Southern Gujarat Chamber of Commerce and Industry (SGCCI), experts from different sectors were called and discussions on the Union Budget were carried out. “Expressing shock, the industry experts claimed that the Budget had been made keeping in mind the 2019 General elections and major beneficiaries were farmers and rural people,” said SGCCI president P M Shah.

Gems and Jewellery Export Promotion Council Chairman Dinesh Navadia said, “We had given suggestions and had pinned hope on the Centre for the betterment of the industry, but our hope has remained hope.”

The Budget has belied the expectations of the the textile industry as well. Federation of Indian Art Silk Weavers Industry (FIASWI) Chairman Bharat Gandhi said, "The import duty on the pure silk had been increased from 10 per cent to 20 per cent which will benefit the local pure silk industry people. This will give major boost to the local pure silk industry. The pure silk manufacturers are found in Surat, Bhagalpur, Varanasi, Bengaluru, etc."

The Federation of Surat Textile Traders Association president Manoj Agrawal said, "The local textile industry has been facing great problems due to input tax credit in GST, e-way bill and the recommendations were not looked at. Some relaxations were expected from the Finance Minister, but nothing has come out. The daily production in the industry has gone down by 40 per cent after GST and e-way bill."

Girdhargopal Mundra, chairman of Madhusudan Group, a major textile group of Surat, said, "The Budget was unsatisfactory for the textile industry. The Government should have thought about taking steps to increase the GDP, and for that some promotions should be given to textile exports."

Source: indianexpress.com- Feb 02, 2018

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Allocation for tech upgrades to raise productivity

Funds for rebate of state levies, higher by about ₹600 crore, aimed at boosting exports

The Union Budget on Thursday proposed an allocation of ₹7,148 crore for the textile sector, which includes the entire textile value chain and segments such as silk and jute.

The major allocation is for the Amended Technology Upgradation Fund scheme, a programme that looks at improving productivity through technology upgradation with higher fixed capital investment. The scheme has got ₹2,300 crore as against ₹1,956 crore for the year 2017-2018. The other substantial allocation is towards Rebate of State Levies (ROSL), which is to boost exports. The scheme has received an allocation of ₹2,163.85 crore compared with ₹1,555 crore earmarked for the sector in the previous budget.

The outlay for schemes for powerloom units is ₹112.15 crore, covering programmes under the Power Tex India and Comprehensive Powerloom Cluster Development Programme.

Environment norms

The Integrated Processing Development Scheme, which will support the textile processing sector comply with environment norms, will get ₹3.8 crore and nearly 4,000 units are expected to benefit. Similarly, the Scheme for Integrated Textile Parks, which has 47 ongoing projects, will get ₹30 crore to create infrastructure facilities for textile units.

The budget has proposed ₹396 crore for handloom clusters under the National Handloom Development Programme. The plan is to supply 5,355 lakh kg of yarn to the weavers, set up 31 new block-level clusters, covering 2,000 weavers for loom upgradation.

Schemes such as integrated skill development (₹200 crore) and segments such as sericulture (₹510.61 crore) are the others to get budgetary support. About 50 new projects will be initiated and 35 current projects completed in the silk sector for better capacity building. In an effort to encourage use of geo textiles in road construction and reservoir projects, ₹15 crore has been allocated. This will help lay 40 km road using geo textiles, take up 20 slope stabilisation projects and 25 water reservoir projects.

Technology missions

There are also plans for technology missions on cotton, knitwear and technical textiles with budgetary allocations.

A comprehensive programme to develop all segments of the textile industry in the north eastern region is also in the works.

Significantly, the customs duty on silk fabric has been increased from 10% to 20%.

Source: indianexpress.com- Feb 02, 2018

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Strands of discontent in the textile industry

The Budget allocation for the labour-intensive textiles sector — which provides jobs to about 45 million people — increased 14.7 per cent over the previous year to ₹7,148 crore.

The rate of growth in allocation for the new fiscal, however, is less than half the increased allocation of over 30 per cent to ₹6,226.5 crore in 2017-18.

The textile sector, which is facing double trouble in the form of lower exports, especially of garments, and higher imports from countries such as Bangladesh, had sought higher rates of reimbursement under the duty drawback and refund of State levies (ROSL) following the implementation of the new GST regime.

It also demanded higher disbursement under the Amended Technology Upgradation Fund Scheme (ATUFS).

"Adequate budgetary allocation for schemes such as refund of State levies and interest subvention benefits can help improve competitiveness of textile exporters and boost export growth," industry analyst ICRA had said in a pre-Budget note.

While allocation for the ATUFS has been raised to ₹2,300 crore in 2018-19 from ₹1,956 crore in 2017-18, it is still lower than the allocation of ₹2,622 crore in 2016-17.

Provision for ROSL for 2018-19 is higher at ₹2,222 crore compared to ₹1,939 crore last year, but the ROSL rates remain unchanged.

"The industry was hoping for some support to mitigate the financial crunch, especially because it faced a severe reduction in the drawback and RoSL benefits.

The industry is looking forward to increased interest subvention from the existing 3 per cent to 6 per cent, to help stay competitive, as several other countries have much lower interest rates," pointed out HKL Magu from the Apparel Export Promotion Council.

As per industry calculations, under the new GST and drawback rules, reimbursements of taxes for the sector has dropped to the extent of 7 per cent (of the value of exports), whereas an additional incentive of 2 per cent was given to the sector in the foreign trade policy review in December. This resulted in a shortfall of 5 per cent, leading to a fall in exports, according to AEPC.

Exports down

Export of garments and textiles fell 3 per cent in December 2017 to $2.99 billion, although in the April-December 2017 period it grew 2 per cent at $26.13 billion.

According to figures compiled by textile body CITI, India's imports of garments from Bangladesh increased 66 per cent to $111.3 million during July-December 2017 compared to $66.9 million in the same period last year.

Source: thehindubusinessline.com- Feb 01, 2018

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Union Budget 2018: Customs duty on silk fabrics doubled to 20 per cent

Finance Minister Arun Jaitley today proposed doubling of customs duty on silk fabrics to 20 per cent to provide "adequate protection to domestic industry". According to the Union Budget 2018-19, customs duty on silk fabrics has been raised from 10 per cent to 20 per cent.

Silk exporters, however, said the move would hit shipments of silk garments from India.

"This (hike) is going to hamper silk garment exports, which are already suffering," Indian Silk Export Promotion Council Chairman Satish Gupta told PTI. "The majority of silk fabrics are imported from China. We are uncompetitive already and this will make things worse. We have been pleading with the government to lower the duty to 5 per cent," Gupta said.

“In 2016-17, the export of silk garments from India was to the tune of USD 160 million against approximately USD 200 million in 2015-16. The duty impact is making our garments expensive in the international market,” T S Chadha Executive Director, the Indian Silk Export Promotion Council said.

Meanwhile, the Confederation of Indian Textile Industry welcomed it by saying the imports after GST rollout were negatively impacting the industry.

The hike in customs duty will encourage the domestic industry and push the Make in India programme further, it added.

Source: financialexpress.com- Feb 01, 2018

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Budget 2018: Lukewarm response to textile package

CHENNAI: The Tamil Nadu textile industry has reacted positively to the increase in budgetary allocation to the sector at Rs 7,140 crore but insists that concerns over pending funds under various schemes and erosion of pre-GST incentives still hurt the industry.

Finance Minister Arun Jaitley in his Budget speech today allocated the sum for the industry comprising yarn spinners, fabric and garment manufacturers and exporters.

Raja Shanmugam, President of Tirupur Exporters Association, the Western Tamil Nadu based cluster turning over tens of thousands of rupees in exports and domestic sales, said the Budget announcement was "not so pleasing" as it was a just bump up in allocations compared to the previous one. The expectation from the industry was that the Government will spell out reforms to compensate for duty drawback and sops under the Rebate on State Levies scheme (ROSL).

"Since the GST regime does not have these invisible sops, our competitiveness was hit. We hoped the finance Minister would touch upon the subject," he told ET from Tirupur.

Entrepreneurs had got about 2.5% of duty refunds after a small change was effected to the MEIS and ROSL schemes recently, but the advantage was 5-6% of refunds under the VAT system.

Prabhu Damodharan, Secretary for Indian Texpreneurs Federation, said there are still funds pending to roll into the industry under the technology upgradation and other schemes. "I welcome the announcement but I will wait for the blueprint of implementation to see if it something to celebrate." economictimes.indiatimes.com

Source: economictimes.indiatimes.com- Feb 01, 2018

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Mega gains for micro biz; leg up for leather, textiles

The announcements in the Union Budget for micro, small and medium enterprises (MSMEs) and employment-heavy industries like leather and textiles would benefit the state which leads in textile, SME and leather sectors. The host of sops announced for new employees in export-oriented sectors in the budget would make them competitive, industry representatives say.

The leather industry is the biggest beneficiary in recent times, with not only the budgetary benefits but also the Rs 2,600 crore special package announced in December. The state contributes more than 35% of the total exports and has leather clusters in Ambur and Vaniyambadi in Vellore.

Reduction in the minimum employment period from 240 days to 150 days and the additional 30% income tax deduction for leather and footwear sector for new employees would encourage more employment, industry sources say. "The extension of 25% reduced corporate tax to MSME units having turnover of up to Rs 250 crore will benefit the leather and footwear industry as 90% of the industry is concentrated in the MSME segment," said Aqeel Panaruna, vice-chairman, Council for Leather Exports.

"Enhancement of customs duty on footwear from 10% to 20% will enhance competitiveness of domestic footwear industry and will promote Make in India programme," he said. The budget has also made provisions for modernisation of 200 units, upgrade of existing campuses and placement-linked skill development training to 1.44 lakh unemployed people.

For small and medium-sized businesses with Rs 50 crore to Rs 250 crore turnover, the finance minister announced a reduction in income tax from 30% to 25% . "The 5% saving that I make can be used for innovation. Having our own reserve is now an advantage for funding R&D," said S Sampath, CEO, Velmurugan Heavy Engineering Industries, Trichy. Tamil Nadu has 6.89 lakh registered SMEs contributing to over 15% of the total units in the country.

For the textile industry, the benefits would help battle competition with sops narrowing the difference in wages with competing nations, officials said. Wages, which account for about 12% to 15% of the production costs in garment making, are about 25% cheaper in Bangladesh, a key competitor for the country in textile exports.

"These initiatives will help the sector to become competitive and face challenges from Bangladesh, Sri Lanka, and Vietnam," said A Sakthivel, regional chairman, Federation of Indian Export Organisations, southern region. "Extending 12% EPF employer's contribution for the first three years and also fixed term employment would encourage job creation in the textile industry," said P Nataraj, chairman, Southern India Mills' Association. "About 80% of textile units would benefit from the new corporate tax rate," he said.

Garment units in Tirupur were given incentives that included the Centre bearing employer's contribution to the employee provident fund for new workers who are earning less than Rs 15,000 per month during the first three years and an increase in overtime from three hours to eight hours per week in June 2016.

Source: timesofindia.indiatimes.com- Feb 02, 2018

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H&M India sales grow 95.5% in 2017

Sales of Swedish fashion retailer Hennes & Mauritz's (H&M) in India grew 57.7% for the year ended November 2017 to Rs 956.24 crore, according to the company's annual report released on Wednesday.

Sales of Swedish fashion retailer Hennes & Mauritz's (H&M) in India grew 95.5% for the year ended November 2017 to Rs 956.24 crore, according to the company's annual report released on Wednesday. This growth was propelled by rapid expansion of stores – from 10 to 27 during the year – and strong volume growth. Volumes were fuelled by an aggressive strategy of pricing merchandise markedly lower than peers.

After its success with brick & mortar stores in India, H&M plans to enter the Indian online market in 2018. H&M, the world's second-largest apparel major, which follows the December 1 to November 30 financial year, however, reported a less impressive 24.4% increase in its Q4 (September-November quarter) sales to Rs 247.36 crore. Growth in Q4 2017 was sharply lower than the 50% plus growth recorded in preceding quarters.

Rajat Wahi, partner, Deloitte, said: "There maybe some impact of the GST on sales in Q4FY17. Almost all brands took some time to settle down post the implementation. Also, competition is getting stiff not only from foreign brands but also from Indian brands, who are aggressively increasing advertisement spends to boost sales."

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Source: financialexpress.com - Feb 01, 2018

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Seeing export traction, Budget hikes provision for some schemes

Estimating a robust rise of 15 per cent in goods exports in 2017-18 — which could increase outbound shipments to an all time high of $316 billion — Finance Minister Arun Jaitley has increased allocations under the interest equalisation scheme (IES) and remission of state levies (ROSL) for exporters.

While there are no announcements directly benefiting a specific sector, exporters are positive about the higher allocations for IES and ROSL in Budget 2018-19 and are hopeful that more members of the community would benefit from the schemes as the rate of compensation remains unchanged.

"The increased allocation from ₹1,100 crore to ₹2,000 crore for the IES for the current year and ₹2,500 crore for 2018-19 would help the export sector as it gives cushion to include merchant exporters and services exporters," said Ganesh Kumar Gupta, President, FIEO.

Under the IES, exporters are provided bank loans at lower interest rates with the Centre compensating the banks for the difference in rates.

More allocation

Similarly, enhanced allocation for ROSL, which compensates exporters for State levies, from ₹1,555 crore to ₹1,855 crore for the current fiscal and ₹2,164 crore for the subsequent fiscal will not only help in clearing the backlog but could also be used to extend the benefit to carpets, handicrafts and fabrics and yarn exports, Gupta added.

The imposition of 20 per cent export duty on graphite electrode has made engineering goods exporters unhappy.

"It is not clear why 20 per cent export duty has been levied on graphite electrode. This is contrary to the policy of the government to give an impetus to exports. The emphasis should be on removal of inverted duty structure on the import side wherein the priority should be to have more duty on finished products while raw material should be subjected to the lowest duty structure," said Ravi Sehgal, Chairman, EEPC.

The extension of fixed term employment facility for all sectors is also expected to benefit exporters. "It will allow exporters to provide additional jobs as and when they get export orders particularly in sectors where the demand is seasonal in nature," Gupta said.

At the projected growth rate of 15 per cent, exports in 2017-18 would increase to $316.85 billion which is higher than the previous high of $314 billion in 2013-14.

Last year, exports had increased by 5.17 per cent to $275.85 billion after two successive years of fall in outbound shipments.

Source: thehindubusinessline.com - Feb 01, 2018

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