IBTEX No. 25 of 2019

February 02, 2019

USD 71.46 | EUR 81.87 | GBP 93.55 | JPY 0.65

Cotton Market - (Feb 1)

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>20383</td>
<td>42600</td>
<td>76.30</td>
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Domestic Futures Price (Ex. Warehouse Rajkot), February

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<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td>209890</td>
<td>43848</td>
<td>78.53</td>
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International Futures Price

NY ICE USD Cents/lb (March 2019) 74.40
ZCE Cotton: Yuan/MT (May 2019) 15,220
ZCE Cotton: USD Cents/lb 103.03

Cotlook A Index – Physical 83.70

Cotton Guide: The changes in the ICE contracts were insignificant yesterday where the nearby ICE futures settled almost unchanged. The ICE March contract gained just 4 points settling at 74.40 cents/lb, whereas the the ICE May Contract ended with a negative change of (-8) points thus settling at 75.66 and the July contract ending at 76.90 with a change of (-12). We expect the market to remain range bound for today.

The MCX contracts on the other hand were biased sideways which ended up in slight negative numbers. The MCX February contract ended at 20980 Rs/Bale with a negative slide of (-10) Rs. The MCX March contract ended at 21260 Rs/Bale also with a negative slide of (-40) Rs. The MCX April contract similarly held in line with the other two contracts thus ending with a negative slide of (-20) at 21540 Rs/Bale.
The arrival figures in India have been showing an uptrend with figures crossing 175,000 lint equivalent bales. The arrivals are estimated to be 176,500 lint equivalent bales (source cotlook) including 54,000 registered in Maharashtra, 45,000 from Gujarat and 33,000 in Andhra Pradesh. Shankar 6 prices were again steady at 42,600 Rs/Candy. The cotlook Index A has been adjusted to 83.70 cents/lb with a positive change of 0.15 cents/lb.

After a long time the US export sales report since the government shutdown was released. For the week ending December 20, US export sales for 2018/2019 season were up by 373,100 RB (running Bales) which is a marketing year high and sales for 2018/2019 season increased by 4,000 RB. Export shipments were reported at 207,100 RB.

Nothing concrete emerged out of the US China trade deal negotiations. On the other hand there will be another round of talks in mid February. The delegation is to be led by US trade Representative Robert Lightzer and Treasury Secretary Steven Mnuchin.

On the technical front, ICE cotton futures is trading in the range of 73-74.60 after last week’s recovery from the low’s. For now price is moving in an upwards sloping channel, failure to hold the channel could witness sharp decline in prices. However RSI in the daily charts at 52 implying sideways movement for the day. Only a sustained move above range could bring further buying in cotton futures towards higher levels of 75.35, followed by 76.20. On the downside immediate support exists around 73.00-72.80 zones, only a close below could weaken further towards 72.28 and 71.90 levels. In the domestic markets trading range for Feb futures contract will be 207500-21200.

**Currency Guide**

Indian rupee may witness choppy trade against the US dollar but general bias remains weak. Further cues are likely to come from the Interim Budget today. Market expectations are high that government may announce measures to support farmer which could put pressure on fiscal balance. Amid other factors, rupee is also pressurized by choppiness in Asian equity markets amid disappointing Chinese economic data and no major breakthrough at US-China trade talks. Both US-China cited substantial progress but no specifics were announced and US delegation is now expected to visit Beijing around mid-February. Also weighing on rupee is general strength in crude oil price amid OPEC’s production cuts and supply concerns relating to Venezuela. However, supporting rupee and other currencies is Fed’s patient stance on interest rate hikes and flexible approach on bond reduction plan. Mixed economic data and lower bond yields has also pressurized US dollar against major currencies. Rupee may tread water ahead of Budget announcement but general bias still remains weak given strength in crude oil and choppiness in equity market. USDINR may trade in a range of 70.8-71.25 and bias may be on the upside.

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

EU-Japan trade agreement enters into force

The EU and Japan have agreed to set ambitious standards on sustainable development, and the text includes for the first time a specific commitment to the Paris climate agreement.

The key parts of the Economic Partnership Agreement

With regards to agricultural exports from the EU, the agreement will, in particular:

- scrap Japanese duties on many cheeses such as Gouda and Cheddar (which currently are at 29.8%) as well as on wine exports (currently at 15% on average);
- allow the EU to increase its beef exports to Japan substantially, while on pork there will be duty-free trade in processed meat and almost duty-free trade for fresh meat;
- ensure the protection in Japan of more than 200 high-quality European agricultural products, so called Geographical Indications (GIs), and the protection of a selection of Japanese GIs in the EU.

- The agreement also secures the opening of services markets, in particular financial services, e-commerce, telecommunications and transport. It furthermore:

  - facilitates to EU companies access to the procurement markets of 54 large Japanese cities, and removes obstacles to procurement in the economically important railway sector at national level;
  - addresses specific sensitivities in the EU, for instance in the automotive sector, with transition periods of up to 7 years before customs duties are eliminated.

The agreement also includes a comprehensive chapter on trade and sustainable development; includes specific elements to simplify for small and medium-sized businesses; sets very high standards of labour, safety, environmental and consumer protection; strengthens EU and Japan's commitments on sustainable development and climate change and fully safeguards public services.
Concerning data protection, the EU and Japan adopted decisions on 23 January of this year to allow personal data to flow freely and safely between the two partners. They agreed to recognise each other's data protection systems as 'equivalent', which will create the world's largest area of safe data flows.

As of 1 February, a large part of another agreement – the Strategic Partnership Agreement between the European Union and Japan – also applies on a provisional basis. This Agreement, which was signed in July of last year together with the Economic Partnership Agreement, is the first-ever bilateral framework agreement between the EU and Japan and strengthens the overall partnership by providing an overarching framework for enhanced political and sectoral cooperation and joint actions on issues of common interest, including on regional and global challenges. The Agreement will enter into force once it has been ratified by all EU Member States.

Next steps

The Economic Partnership Agreement is now in force. To take stock of the initial months of implementation, the first EU-Japan committee meeting will be convened in April 2019 in Brussels.

On the parallel issue of investment protection, negotiations with Japan continue on standards and investment protection dispute resolution, with a meeting of Chief Negotiators scheduled for March.

The firm commitment on both sides is to reach convergence in the investment protection negotiations as soon as possible, in light of their shared commitment to a stable and secure investment environment in Europe and Japan.

For more information click here

Source: europa.eu- Feb 01, 2019
Cambodia vs Vietnam: winners and losers of the global tensions

The trade war between China and the United States, the pressure from the European Union on Cambodia and the protests over wages in Bangladesh destabilize three of the largest global hubs in the fashion industry.

The global map of fashion sourcing could take another turn due to political tensions. The trade war between China and the United States, the pressure from the European Union on Cambodia, and the protests over wages in Bangladesh is causing instability in three of the biggest global hubs in the fashion industry. This scenario favours two other supply centres of the sector: Turkey and Vietnam.

In the case of Turkey, the forecasts by the local Istanbul Apparel Exporters’ Association (IHKIB) indicate that in 2019 international sales of the sector will grow by 10%. In 2018, the country has increased clothing exports by 3.6% compared to the previous year, to 17.6 billion dollars.

The European Union continues to be the largest market for the Turkish clothing industry. In 2018, 71% of its sales went to European countries. The only fear that the Turkish sector has is a hard Brexit, which could put in check exports to the European Union worth 2 billion dollars.

Turkey and Vietnam expect to increase by 10% and 11%, respectively, its clothing exports in 2019. Despite global uncertainties, the Turkish garment industry expects a double-digit growth for 2019, relying on its investment in technology and labour. In this regard, the Turkish Government is committed to helping the local garment industry improve its facilities with a plan of 570 million dollars.

Trade tensions between the United States and China may favour Turkey as a global fashion supplier. In fact, the local industry maintains the challenge of reaching international sales by 18 billion dollars in the medium term. Vietnam also wants to improve its positioning by taking advantage of the bad relationships between the largest fashion consumer market and its main supplier.
The Vietnamese textile and clothing industry plans to increase its exports by 11% in 2019, to 40 billion dollars. The sector considers supporting this growth with the consolidation of the transpacific free trade agreement (TPP), as well as an increase in foreign investment that excludes China due to the effects of the trade war.

Trade tensions between US and China will benefit the rest of the fashion production hubs

On the other hand, Vietnam is about to sign a free trade agreement with the European Union, which would eliminate practically all existing tariffs in the exchange of goods between both parties.

Cambodia and Bangladesh, on their behalf, have not advanced forecasts for 2019 yet due to the complexity and uncertainty that their respective garment industries are going through. In the case of Cambodia, the European Commission is making progress in the expulsion of the Everything but Arms program from the country, which grants zero tariff on its exports to the European Union.

Despite this, the latest forecasts made by the Government of the country placed the garment industry as one of the pillars of its economic growth for 2019 along with construction and tourism. The Executive took into account that, in 2018, the international sales of the sector shot up by 24.7%.

Cambodia shot up in 2018 its clothing exports by 25% and Bangladesh, 15.6% in the first half of 2018-2019

Bangladesh, on the other hand, is in the spotlight for the giants of fashion distribution which face a new wave of demonstrations by the workers of the textile industry in the country. The wage increase that has come into effect this year is not enough for the workers’ representatives and everything seems to indicate that the climate of conflicts in the main industrial areas will persist.

In the first half of fiscal year 2018-2019, the textile and clothing exports from Bangladesh grew by 14.42% compared to the same period of the previous year, reaching 20.5 billion dollars. Only clothing exports soared in these six months by 15.6% to 17.08 billion dollars.
However, in case the labour and social tension in the country’s factories tones down, Bangladesh also aims to take advantage of the trade conflict between the United States and China, and the political tension between the European Union and Bangladesh.

Source: themds.com- Feb 01, 2019

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Pakistan: Textile industry gets Rs29b relief in duties, taxes

The Pakistan Tehreek-e-Insaf (PTI) government has given another bailout package worth Rs29 billion to the textile tycoons by waiving taxes and duties on the import of cotton – a vital input in textile manufacturing.

The PTI government, like the previous Pakistan Muslim League-Nawaz administration, is offering support to the industrial barons, who have got billions of rupees worth of incentive packages. They are now receiving gas and electricity at discounted tariffs.

The government has also recently approved a Rs25-billion gas subsidy for five zero-rated export-focused industries where textile giants are the major beneficiaries.

“The government has come up with another support package for the textile manufacturers by waiving 50% of the outstanding gas infrastructure development cess (GIDC), which amounts to Rs40 billion,” an official said. The textile industry is to pay a total of Rs80 billion in GIDC arrears.

With the scrapping of taxes and duties on cotton import, the government would lose Rs14.6 billion in customs duty, Rs6.9 billion in additional customs duty and Rs7.7 billion in sales tax, the official projected.

“The major beneficiaries are Pakistani textile barons and farmers of cotton-exporting countries,” he said.

Despite getting such incentive packages, textile exports from Pakistan to the global market have not increased significantly as Bangladesh exporters are eating into the share of their Pakistani counterparts.
According to a senior government official, the textile industry consumes around 12 to 15 million bales of cotton per year and it needs to import cotton to bridge the shortfall because domestic output was far below the demand.

Pakistan is expected to produce 10.78 million bales of cotton in the ongoing financial year, a decrease of 9.7% compared to the previous year and down 24% from the initial target of 14.37 million bales.

The textile ministry says around 10.78 million bales have already reached cotton ginning factories from farms by the beginning of January 2019.

Farmers argue the pro-industry policies of successive governments have destroyed the agriculture sector of Pakistan. The PML-N government’s 2013-18 tenure also proved damaging for the agriculture sector when it posted negative growth and cotton harvest touched its lowest in recent history.

During that five-year period, the focus had mainly been on the textile tycoons while farmers were at the mercy of such businessmen.

In 2015-16, the agriculture sector recorded a negative growth of 0.19% against growth projection of 3.9%, which indicated the lack of attention paid to the farm sector.

Cotton production in Pakistan has been virtually stagnant since 1991-92, fluctuating in a range of 10 to 12 million bales annually. The harvest fell to 9.9 million bales in 2015-16 compared to average consumption of 15 million bales, turning Pakistan a net importer of cotton.

“The current PTI government also seems to be following the same line as it is doling out support packages to the industrialists whereas the farmers are at the receiving end,” the official said.

Source: tribune.com.pk- Feb 02, 2019

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Building Africa’s Manufacturing Strength in the Textile and Clothing Sector

The rise of the fast fashion industry in the past few years has brought in its wake a booming trade of second-hand clothing. Today, millions of people around the world donate clothes with the understanding that they will support the needy or will be resold in secondhand stores.

But are increased imports into Africa of second-hand clothing from developed countries consistent with the contemporary agenda of African economies, which is to industrialize and add value, rather than to consume? This is at the heart of the recent trade dispute between African economies, particularly those in the east, and major international exporters of second-hand clothing, such as the United States.

Today, about 62% of the continent’s total exports are in primary form. With exports being largely commodity-driven, Africa is in a risky position because of price volatility and because it is dependent.

Building a competitive textile value chain is an import step for the African continent to revive its import substitution industries. So the agenda to industrialize is a priority, but can the continent turn its production of textiles and clothing into a manufacturing industry when second hand exports dominate the consumer market?

What is it about Second-Hand Clothing in Africa?

Used clothing has diverse names in the various African countries. In Rwanda, it's chagua, in Kenya, mitumba, and salaula in Zambia.

The global trade of second-hand clothing has a long and rugged history. It became prominent due to its affordability and to the surge in liberalization policies in the early 1990s. Second-hand clothing provides work for millions of resellers, distributors and market stall holders in developing markets, particularly in East Africa.

But the decision by some countries to cut its imports of second-hand clothing in order to encourage local textile manufacturing has brought forth charges of protectionism from developed country exporters.
In an attempt to reconstruct the domestic garment industry, countries such as Rwanda are putting in place an industrial strategy to develop local textiles, apparel and leather sectors, taking a determined stance on imported second-hand clothing, which resulted in the US suspension of AGOA duty-free access to US markets.

The exclusion from AGOA would affect about 3% of Rwanda's total exports to the US, that amounted to $1.5 million in 2017. Rwanda’s total exports that year amounted to $43.7 million.

However, the effects of the AGOA suspension on local economies may be mixed. It may stimulate local production of new clothing and footwear for the domestic market, but it could also negatively affect consumers through higher prices and reduced availability of clothing.

The garment and clothing industry globally are expected to double in the next 10 years, generating up to $5 trillion annually. In the USA alone, $284 billion are spent every year on fashion retail through the purchase of 19 billion garments.

This presents a tremendous opportunity for Africa at various levels of the value chain. From design to production to marketing, the fashion industry is a big and profitable business. The combined apparel and footwear market in sub-Saharan Africa is estimated to be worth $31 billion.

Creating a Competitive Value Chain

The textile and garment industry presents a unique opportunity for countries seeking to pursue industrialization. The sector helps to diversify the economy, and if geared towards exports, it can be a source of foreign exchange.

Let’s look at the case of Ethiopia. The country has a target to generate $30 billion in exports from the textile and apparel sector by 2030 and the government has been building industrial parks to enhance the textile investment and productivity of the country.

It’s no wonder that Ethiopia has attracted textile manufacturing giants like H&M and Primark.
But African countries face a host of challenges and opportunities alike. These include a weak business environment; a scarcity of skilled and unskilled workers, high cost of production, and low-level infrastructure among other challenges.

There is an urgent need for Africa to rapidly industrialize and add value to everything that it produces, and the textile and clothing industry is dominated by small and medium size enterprises, which have the potential to create decent jobs - skilled and unskilled - for millions of Africans, especially women and youth.

African countries need to build adequate infrastructure. Information and Communications Technologies (ICTs) such as e-commerce will be key to support this growth and tap into global and regional value chains.

Opportunities for African countries to take advantage of the potential of the textile and garment industry and participate in global or regional value chains depend on the comparative advantage of each economy, the level of its regional/global integration, infrastructure, human capital, access to finance and policies.

The African Development Bank has launched the Fashionomics Africa Flagship initiative to support the development of small and medium-scale enterprises operating in the textile and clothing industry in Africa, with a focus on women and youth empowerment, by increasing access to finance and access to markets through e-commerce for entrepreneurs whilst incubating and accelerating start-ups.

Success will come in ensuring that local content and artisanry are used and properly credited in the value chain which includes industrialization. This creates the foundation for a more sustainable and faster structural transformation of African economies.

Source: bbntimes.com- Feb 01, 2019
Pakistan: Cotton prices firm amid slow demand

Cotton prices remained steady amid slow trading because many commodity markets including cotton stay closed on Friday. However, the underlying sentiment was firm but outlook uncertain.

Market reports suggested there was better offtake of yarn which encouraged spinners to enter into selective buying. However, it is too early to say the demand for cotton would sustain as the crop is short and availability of quality is becoming difficult with each passing day.

According to brokers, phutti (seed-cotton) is left in very small amounts in the fields and the third picking would be short-lived.

The world leading cotton markets continued to give a mixed trend with no major development. The Chinese cotton market would remain closed for a week from Feb 4 on account of lunar holidays.

The Karachi Cotton Association kept its spot rates steady at Rs8,700 per maund.

Trading remained moderate and following deals were reported to have changed hands on the ready counter: 400 bales, Ghotki, at Rs8,750; 400 bales, Bahawalpur, at Rs8,800-8,850; 374 bales, Alipur, at Rs8,400; and 200 bales, Yazman, at Rs8,200-8,400.

Source: dawn.com- Feb 02, 2019
INTERIM BUDGET 2019: HIGHER ALLOCATIONS FOR ROSL TO BOOST TEXTILE SECTOR

The textile and apparel industry is also set to gain from an overall farmer- and consumer-centric budget

The government’s decision to increase allocation for the Remission of State Levies (ROSL) is set to boost textile sector, experts said.

The Union Finance Minister Piyush Goyal in the interim Budget 2019 announced an increase in the ROSL scheme from Rs 2,164 crore to Rs 3,664 crore for 2018-19. The Budget has also allocated Rs 1,000 crore for this scheme for the fiscal year 2019-20.

“The increase in the budget allocation for the ROSL scheme is a step in the right direction. We urge the government to include cotton yarn and fabrics also under the ROSL scheme," said K V Srinivasan, Chairman, The Cotton Textiles Export Promotion Council (Texprocil). Apart from the ROSL benefit, the textile and apparel industry is also set to gain from an overall farmer- and consumer-centric budget.

Increase in personal income tax and rebate limit would certainly raise disposable income of the middle class people of which a portion would come to textile and apparel sector.

Consumption and consumer spend of middle class and rural India is expected to go up thanks to the Budget proposals and hence benefit the Apparel and Textile Industry," said Rahul Mehta, President, Clothing Manufacturers Association of India (CMAI).

Confederation of Indian Textile Industry (CITI) chairman Sanjay Jain said, "The Budget will increase purchasing power of the middle class, farmers and lower tiers of society and will drive textile and clothing consumption in a big way. The Budget also helps MSME in textile sector in a big way."

Source: business-standard.com- Feb 01, 2019
Highlights of Interim Budget 2019

Finance Minister Piyush Goyal while presenting interim budget on Friday said the benefit of rollover of capital gains to be increased from investment in one residential house to that in two residential houses for a taxpayer having capital gains up to Rs 2 crore; this can be exercised once in a lifetime.

Among other announcements, Mega Pension Yojana namely Pradhan Mantri Shram Yogi Mandhan, to provide assured monthly pension of Rs 3000 per month, with contribution of Rs 100 per month, for workers in unorganized sector after 60 years of age.

He also told that Pradhan Mantri Kaushal Vikas Yojana is training over 1 crore youths and said that the job seekers are the job creators. More than 70 percent of the beneficiaries of the Pradhan Mantri Mudra Yojana are women and it additionally helps them set up businesses and other entrepreneurship related activities.

He also said the definition of employment and self employment is changing now. Finance Minister said that the fiscal deficit will be at 3.4 per cent of GDP this year.

The government has lowered customs duty on import of parts and components of such vehicles to 10-15 per cent to promote domestic assembling of electric vehicles.

- Goyal said more than 70 per cent of Mudra yojna beneficiaries were women. He said the Narendra Modi-led government has also taken several steps to empower women, including the Pradhan Mantri Matritva Yojana and providing 26 weeks of maternity leave.

- Benefit of rollover of capital tax gains to be increased from investment in one residential house to that in two residential houses, for a taxpayer having capital gains up to 2 crore rupees; can be exercised once in a lifetime.

- Finance Minister proposed a full tax rebate for those earning Rs 5 lakh for the next financial year.
• Rs 76,800 crore allocated for welfare of SCs/STs. Budget allocation to North East region increased by 21 per cent to Rs 58,166 crore for 2019-20.

• Tax collection increased to Rs 12 lakh crore this year, returns filed to 6.85 crore.

• The national centre for artificial intelligence is under consideration. Along with that a national AI portal will be developed soon.

• Defence budget for the first time has increased to Rs 3 lakh crore and additional funds will be provided. Over 100 operation airports in the country and domestic passenger traffic has doubled in last five years.

• Mega Pension Yojana, namely Pradhan Mantri Shram Yogi Mandhan, to provide assured monthly pension of 3000 rupees per month, with contribution of 100 rupees per month, for workers in unorganized sector after 60 years of age.

• More than 70 percent of the beneficiaries of the Pradhan Mantri Mudra Yojana are women and it additionally helps them set up businesses and other entrepreneurship related activities.

• Gratuity limit increased from 10 lakh to 30 lakh rupees.

• Rashtriya Kamdhenu Ayog to look after effective implementation of policies and schemes for the welfare of cows.

• Rs 60,000 crore allocated for MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act).

• The current account deficit is likely to be only 2.5 percent of the GDP this year, Finance Minister said.

• Markets open flat, Sensex opens 10 points up and NIFTY starts the day with a gain of 15 points ahead of presentation of Budget 2019.

• The farm relief package may cost anywhere between Rs 70,000 crore to Rs 1 lakh crore, according to sources.
• Bankers also expect government to announce steps that may help the industry tackle the bad loans menace.

• Manoj Sinha, Minister of State for Railways said, "The way the government has increased the investment in railways, from installing CCTV cameras to WiFi, I believe further investment in railways will certainly be increased.

• "We as a government have restored fiscal sanity which the previous government had completely violated," says Jayant Sinha on Budget 2019.

• The rupee depreciated by 9 paise to 71.17 in early trade on the forex market amid strengthening of the American currency and caution ahead of interim budget.

• Income support scheme for distressed farmers who have seen their incomes stagnate because of plunging prices, barely enough to pay for loans and input costs.

• The Budget documents will contain revenue and expenditure projections for the entire 2019-20 fiscal year beginning April 1, but a 'Vote on Account' will seek Parliament nod for the expenditure side.

• Fitch Ratings warned of a second consecutive year of fiscal slippage in the event of Finance Minister Piyush Goyal resorting to populist spending to win over lost vote base.

• Women taxpayers are expected get higher basic exemption of Rs 3.25 lakh or even at par with senior citizens, as per sources.

• Income tax exemption thresholds may raise. Basic exemption limit may be raised from Rs 2.5 lakh to Rs 3 lakh for individuals of less than 60 years of age and from Rs 3 lakh to Rs 3.5 lakh for those aged 60 years or more but less than 80.

• Reduction of GST expected on electric vehicles, which is likely to generate jobs and also would attract investors.

• The government could target the poorest of the poor (possibly 40 per cent of the BPL population) based on the 2011 census.
• Piyush Goyal may also look at higher interim dividend from RBI and deferring subsidy payouts on fertiliser as well as LPG and kerosene to provide funds for the populist schemes.

• Allocation for micro, small and medium enterprises and other initiatives including Pradhan Mantri Awas Yojana (Urban and Rural) may increase. This might include more benefits for women entrepreneurs.

Source: news18.com- Feb 01, 2019

Budget 2019: Mixed industry reactions from Coimbatore belt

Industry response in the western region of Coimbatore to the Interim union budget 2019 presented by Mr. Piyush Goyal in Parliament was a mix of elation and disappointment.

While knitwear and garment industry broadly hailed the interim budgetary announcements, small scale manufacturers put on a long face, saying they expected far more measures to boost industrial activity.

Mr. Raja M Shanmugham, president of Tirupur Exporters Association (TEA), broadly welcoming the budget said, “the announcement of Rs 6,000 per annum to the Small and Marginal farmers and increasing the income tax exemption limit from Rs 2.5 lakh to Rs 5 lakh to individuals, and a monthly pension for unorganised sector workers are considered as better measures.”

However, he urged the centre to allocate adequate funds for textile and knitwear sectors. He said, “the total allocation to the textile industry is Rs 5,831 crore and out of this, allocation to Amended Technology Upgradation Fund Scheme (ATUFS) and Rebate on State Levies (ROSL) scheme are Rs 700 crore and Rs.1,000 crore respectively.

The ROSL allocation is lower since the apparel exports per annum is hovering around Rs 1,10,000 crore. With the existing ROSL rate at 1.70 per cent, the amount required would be Rs 1,700 crore.
The allocation may be revised upwards in the regular Union Budget 2019-20.

The increased allocation for the 'interest equalization scheme' from Rs 2,600 crore to Rs 3,000 crore was also welcome to the MSMEs', said Raja Shanmugham.

Mr. K V Srinivasan, chairman, The Cotton Textiles Export Promotion Council (Texprocil) termed the budget as growth oriented. Hike in the taxable income threshold, increase in standard deduction to Rs 50,000 are measures that would leave more disposable income in the salaried class, leading to more consumption including textiles, he said. This would have a positive impact on the economy, he said, and urged inclusion of cotton yarn and fabrics under ROSL scheme.

The president of Indian Chamber of Commerce and Industry, Coimbatore, V Lakshminarayanasamy, hailed the budget's focus on two major reliefs including for farmers and general tax payers.

The general secretary of the South Indian collar shirts and Inner wears Small scale Manufacturers Association (SISMA), K S Babuji, said, “small scale industries are expecting the Centre to increase the cash transaction limit from Rs. two lakh, but the interim budget disappointed us. There is no adequate fund allocation and scheme for industrial development.”

Similarly, Mr. Ravikumar, president of Coimbatore Tirupur District Micro and Cottage Entrepreneurs Association, said, “Though several announcements brings cheer to the public and big industrialists, the small scale industries are not happy with the interim budget, which did not considered the demands of the SSI sector.”

Echoing the same sentiment, K Maniraj, president of Kovai Power Driven Pumps and Spares Manufacturers Association, said small scale industries' expectations such as GST rates reduction, subsidised and collateral free loans for SSIs' did not figure in the interim budget.

Source: deccanchronicle.com- Feb 01, 2019
Interim Budget will boost textile consumption: CITI

The Interim Budget 2019-20 presented by finance minister Piyush Goyal today will give major impetus to the textile and apparel consumption by increasing the purchasing power of middle class and farmers, Confederation of Indian Textile Industry (CITI) has said. The allocation for A-TUFS & ROSL—the flagship programmes of the textile ministry, has been reduced.

“The present budget has focused on empowering the rural India and the middle class of the economy. The new announcements have highlighted the commitments of the present government to improve the overall socio-economic condition of the country by touching upon the healthcare sector, infrastructure, ease of doing business, more beneficial schemes for low income strata of the society by enhancing their purchasing power, protecting them through pension scheme, minimum income through MNREGA, etc,” CITI chairman Sanjay K Jain said in a press release.

Jain pointed out that the announcement of 2 per cent interest subvention for micro, small and medium enterprises (MSMEs) loans with a ticket size of ₹1 crore has given a big thrust to MSMEs to boost employment and economic growth. “A few banks exiting PCA, relaxation for MSMEs on funding and interest rates will benefit 80 per cent of the textiles and clothing industry which falls under MSMEs,” he said.

The Budget reduces the total outlay for the textile sector from the revised estimate of ₹6,943.26 crore to ₹5,831.48 crore. For A-TUFS, the budget allocation has been steeply decreased from ₹2,300 crore to ₹700 crore.

“Last year only about 30 per cent of the budget could be used due to low disbursements, however, to clear the carried forward obligations, a much higher allocation will be needed.

The budget for ROSL has also been reduced significantly which is a cause of great worry to the industry as this could lead to working capital blockages and delay in ROSL receipts.

Further the industry has been expecting upward revision in ROSL rates which would need more funds,” Jain said.
The budgetary allocation for procurement of cotton by CCI under Price Support Scheme has been increased from ₹924 crore to ₹2,018 crore. “This move of the government to doubling the income of the farmers is well appreciated by the industry.

However, our request to the government is to introduce Direct Subsidy System for the cotton farmers as it will ensure no direct impact on cotton prices,” said Jain.

CITI has also welcomed that increase in allocation for Central Silk Board.

“Though the textiles and clothing industry is expected to be a major gainer due to the extra funds which flow into the hands of the section of the society where incremental marginal expenditure on clothing is very high, the industry hopes for greater allocation of funds for the two flagship programmes of the textile ministry – A-TUFS and ROSL,” Jain said.

Source: fibre2fashion.com- Feb 01, 2019

India To Be $5 Trillion Economy Within Five Years

India is on a growth trajectory to be a $5 trillion economy in the next five years.

The interim Indian budget for the 2019-20 fiscal year recently presented by Piyush Goyal, cabinet minister responsible for the finance ministry, offers several new initiatives that will support the growth of manufacturing sectors like textiles, agriculture and the digital economy.

Particularly, the support for medium and small-scale manufacturing enterprises (MSME) will allow textile and allied sectors to boost their efforts in research and development.

In the United States, supportive programs such as SBIR have enabled the growth of the R&D base and helped the small business sector to be a major employer.
According to a new Indian initiative, 25% of procurement by the Indian government should be made from the MSME sector, of which 3% should be from women-owned enterprises.

As handloom textiles, leather and other cottage industries utilize unorganized labor, a new social security (pension) scheme for those aged 60 years has been launched.

“The requirement insisted on government agencies to procure from MSMEs will definitely boost the confidence among small players, which will grow the economy and create jobs,” stated Professor Sridhar Narayanan, convener of the education committee of the Federation of Indian Chambers of Commerce and Industry, Tamil Nadu state unit.

Infrastructure, agriculture, digital infrastructure and defense sectors will enjoy greater and much needed support. In all these areas, advanced textiles can find new opportunities such as defense clothing and geosynthetics.

The “Clean India” initiative (Swachh Bharath) will be of great significance towards rural development and hygiene sector, where again pollution prevention technologies and medical textiles can be a valuable contributor.

Companies such as Chennai-based WellGro Tech are already focusing on the “Make in India” effort towards manufacturing products such environmentally-friendly oil clean-up technologies.

In order to support exports and domestic manufacturing, duty free import of some capital goods has been allowed, and the customs logistics is being fully digitized to enhance trade.

From the consumer point of view, the budget has supportive fiscal initiatives for farmers, the middle class and low-income community, which should boost spending and support nonessential commodity procurement by the general public.

Source: cottongrower.com- Feb 01, 2019
Surat textile and diamond industry ‘Income tax rebate helpful, but GST issues not resolved’

“The demand for sarees is going down. The government should have announced some subsidy or schemes for garment package as Surat has potential in it,” he added.

The interim budget announced on Friday garnered a mixed response from the diamond and textile industry experts.

While the one-time tax rebate for those with a taxable income of up to Rs 5 lakh annually and the businesses with annual turnover less than Rs 5 crore being allowed to file quarterly GST returns has been welcomed by the industry, the absence of any announcements regarding Input Tax Credit has left them waiting for the next GST council meeting.

“We welcome the interim budget announced by the finance minister, as the tax rebate on annual income of Rs 5 lakh is excellent.

The provision that an industry with annual turnover less than Rs 5 crore can file GST returns quarterly instead of monthly will also benefit the industry.

Over 60 per cent of the textile traders will get covered in this. Textile traders are happy with the budget but our GST issues have not been looked into. We hope that it will be covered in upcoming GST council meeting,” said Manoj Agrawal, president of the Federation of Surat Textile Traders Association (FOSSTA).

The demand for sarees is going down. The government should have announced some subsidy or schemes for garment package as Surat has potential in it,” he added.

“Over all the textile industry will benefit indirectly from the interim budget. The people will start purchasing more clothes.

For the 2 per cent interest subvention for MSMEs for loans up to Rs 1 crore, we are yet to see if it is on working capital or bank loans,” said Ashish Gujarat, secretary of the Federation of Gujarat Weavers Association.
“We are satisfied with the relaxation given to the middle classes and farmers. We hope to see an increase in business opportunity in terms of jewellery business with such relaxations.

However, we are disappointed that our proposal to decrease the import duty on raw materials like gold, silver, cut-polished diamonds and coloured gems stones were not considered.

We hope that it will be covered in the final budget,” Gujarat Gems and Jewellery Export Promotion council Chairman Dinesh Navadia said.

“It was a budget specially for common people like farmers, workers and salaried people. As it was the interim budget, there is no place for trade and industry but we are hopeful that there will be benefits of the industry in the final budget.

We have also come to know that 36 commodities will be given relief on import duty, but we are yet to see what these commodities are,” said Ketan Desai, vice-president of the Southern Gujarat Chamber of Commerce and Industry.

“There is no direct benefit to the textile industry in this interim budget. The fabrics from China, Vietnam, are routed in India through Bangladesh and they are cheaper in price so the local industry faces problems in competing with them.

Due to WTO (World Textile Organisation) guidelines, those fabrics exported to European countries, there is no benefit of getting duty draw back and some clarification or some solutions for this should have been included,” said Girdhar Gopal Mundra, an expert of the textile industry.

Source: indianexpress.com- Feb 02, 2019

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Interim Budget 2019: Allocation for textiles reduced

Sector concerned over quantum being lower by ₹1,000 cr.

Allocation for the textiles sector in the Interim Budget has been reduced by over ₹1,000 crore.

According to the revised estimates for 2018-19, the textile and clothing sector gets ₹6,943 crore. For 2019-20, the Budget proposes an allocation of ₹5,831 crore.

Two major schemes implemented by the Ministry of Textiles — the Amended Technology Upgradation Fund Scheme and the Remission of State Levies — have seen lower allocation for 2019-20.

For Amended Technology Upgradation Scheme (ATUFS), it is ₹700 crore for the next financial year and for the current year, the revised estimate is ₹622 crore.

Earlier, for 2018-19, the allocation for ATUFS was ₹2,300 crore. In the case of Remission of State Levies (ROSL), the allocation for next fiscal is ₹1,000 crore. For the current year, it is ₹3,663 crore as against the initial allocation of ₹2,163 crore.

“The lower allocations are disappointing and worrisome,” said Sanjay Jain, chairman of the Confederation of Indian Textile Industry. The amount allocated to Cotton Corporation of India for MSP operations (cotton procurement) has gone up.

But that depends on how cotton prices move. There are arrears pending for payment to industries from ATUFS. With lower provisioning for next year too, “we will be grossly under-provided,” he said. The industry had been asking for higher ROSL, he added.

A. Sakthivel, vice-chairman, Apparel Export Promotion Council, said the industry expected an announcement on reimbursement of embedded taxes with duty drawback and ROSL. “This is an Interim Budget. So, we expect our demand will be addressed in three or four months,” he added.
According to the Cotton Textiles Export Promotion Council, higher allocation for ROSL in the revised estimate for the current year will benefit exporters. The allocation for the scheme for next financial year is provisional and the industry expects a higher funding.

Source: thehindu.com- Feb 01, 2019

Traders, weavers oppose new GST form for fabrics

Textile traders and power loom weavers have opposed GST department's decision on mandatory submission of GST invoice format for job work to avoid e-way bill of unfinished fabrics in transit within the city limits.

Last month, GST officials had raided many industrial estates and textile markets in the city where unfinished goods in tempos were seized for not having e-way bill.

When the power loom weavers opposed the action, the GST department came up with mandatory rule for submitting GST job work form to avoid direct sale of unfinished fabrics in transit.

According to the new format, traders and power loom weavers will have to fill up the form with registered GST number, consigner and consignee names, distance of the good delivery, quality and quantity of the goods, value of the goods, number of the unfinished grey bundles, delivery challan number etc.

Leader of power loom sector, Mayur Golwala said, "State GST commissioner had issued a notification in September 2018 stating that unfinished fabrics meant for job work will not have to generate e-way bill.

However, the GST officials raided industrial estates and demanded e-way bill for the fabric stock meant for job work. Now they have come up with a new form where traders and weavers will have to authenticate that the stock is meant for job work."

Source: timesofindia.com- Feb 02, 2019
Budget 2019: Announcements for unorganised sector, ryots lauded

Various industries and trade bodies in the region have welcomed the union budget presented by union finance minister Piyush Goyal Friday, particularly the announcement of Rs 6,000 per year for the farmers having below two hectares of land.

The scheme would benefit millions of cotton farmers, as the crop got affected in certain states and the amount announced would benefit the farmers, chairman of Southern India Mills' Association (SIMA) P Nataraj said.

Also, he welcomed the announcement of the pension scheme for the workers in the unorganised sector enabling them to receive Rs 3,000 per month as pension after attaining the age of 60.

Most of such workers were in the textile sector. Nataraj said the scheme would largely benefit the weavers of handlooms and power looms and also the workers of several other small, micro units from other segments of the industry.

He welcomed the decision of doubling the income tax exemption limit and enhancing the standard deduction to Rs 50,000 which would benefit several lakhs of middle-class employees of the textile industry.

However, the substantial reduction in the budget allocation for a rebate on state levies (ROSL) and amended technology upgradation fund benefits would have a serious impact on the textile industry, he said.

President of the local chapter of Indian Chamber of Commerce and Industry Lakshminarayanasway, welcoming the interim budget, said it was focused on major relief for farmers and the taxpayers.

The chamber welcomed nil tax for those with an annual income of Rs 5 lakh, increase in gratuity limit from Rs 10 lakh to Rs 30 lakh, and mega pension scheme for unorganised workers whose salary was below Rs 15,000.

The trade body, however, said the finance minister did not concede too much on the fiscal consolidation goals since the fiscal deficit for 2018-2019 was seen at 3.4 per cent of the GDP.
In a press release, president of Tirupur Exporters’ Association Raja M Shanmugham termed the budget as people-oriented. He welcomed the announcement of Rs 6,000 per annum for the small and marginal farmers and increasing the income tax exemption limit from Rs 2.5 lakh to Rs 5 lakh to the individuals.

Shanmugham expressed disappointment over the rebate on state levies allocation of Rs 1,000 crore which was lower since the apparel exports per annum were hovering around Rs 1.10 lakh crore.

He said he was happy over raising the interest equalisation scheme allocation from Rs 2,600 crore to Rs 3,000 crore, which would meet the recent increase in interest equalisation for micro, small and medium enterprises from three to five per cent.

Source: timesnownews.com- Feb 01, 2019

Lower logistics cost to help boost exports by 5-8%: FIEO

Reduction of logistics cost by 10 per cent will help boost the country’s exports by about 5-8 per cent, exporters body FIEO said on Thursday.

Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said that implementation of the Goods and Services Tax (GST) has helped growth of the logistics sector, which is very critical in increasing international trade. High logistics cost impacts competitiveness of domestic goods in the international markets.

The cost of logistics for India is about 14 per cent of its GDP and it is far high as compared to other countries.

“It is estimated that a 10 per cent decrease in indirect logistics cost can increase 5-8 per cent of exports,” Gupta told reporters here. He said this while addressing media over LOGIX-India 2019 programme.

The commerce ministry is working on a national logistics policy, which is aimed at promoting seamless movement of goods across the country and reducing high transaction cost of traders.
He also said that to develop this sector in an integrated way, it is important to focus on new technology, improved investment, skilling, removing bottlenecks, improving inter modal transportation, automation, single window system for giving clearances, and simplifying processes.

Talking about the programme, Gupta said logistics companies from about 27 countries are participating in the three-day show in the national capital.

“LOGIX India 2019 is an initiative to improve India’s trade with regions like Africa, ASEAN, Afghanistan, Iran, and Iraq,” he said. Over 130 International delegates representing logistics and freight forwarders professionals are attending the event.

Source: thehindubusinessline.com- Jan 31, 2019

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**Budget 2019: Customs authorities taking steps to improve export logistics, say Piyush Goyal**

He also said that the flagship programme 'Sagarmala' along the coastal areas of the country will develop ports for faster handling of import and export cargo.

Customs authorities are introducing comprehensive digitalisation of export and import transactions, and leveraging electronic tagging technology to improve export logistics, Finance Minister Piyush Goyal said on February 1. He also said that the flagship programme 'Sagarmala' along the coastal areas of the country will develop ports for faster handling of import and export cargo.

The government, under the Sagarmala project, has set ambitious targets of port modernisation, port connectivity enhancement, port-linked industrialisation and coastal community development for phase-wise implementation until 2035.

"Indian customs is introducing full and comprehensive digitalisation of export/import transactions and leveraging RFID (radio-frequency identification) technology to improve export logistics," Goyal said while presenting the Budget for 2019-20.
Improvement in logistics helps seamless movement of goods and reduce transactions cost for traders, leading to enhanced competitiveness of domestic products in the global markets.

During April-December this fiscal, exports grew by 10.18 percent to $245.44 billion. Since 2011-12, India's exports have been hovering at around $300 billion. During 2017-18, the shipments grew by about 10 percent to $303 billion.

Promoting exports helps a country to create jobs, boost manufacturing and earn more foreign exchange. Further the minister said that to promote 'Make in India' initiative, the government has rationalised customs duties and procedures.

"Our government has abolished duties on 36 capital goods. A revised system of importing duty free capital goods and inputs for manufacture and export has been introduced, along with introduction of single point of approval under section 65 of the Customs Act," he said.

Source: moneycontrol.com- Feb 01, 2019