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IBTEX No. 26 of 2020 February 03, 2020

US 71.54| EUR 79.30 | GBP 94.19| JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18900	39500	**70.35**

Domestic Futures Price (Ex. Warehouse Rajkot), February

Rs./Bale	Rs./Candy	USD Cent/lb
19520	40797	**72.66**

International Futures Price

NY ICE USD Cents/lb (March 2020)	67.50
ZCE Cotton: Yuan/MT (May 2020)	13,515
ZCE Cotton: USD Cents/lb	88.70
Cotlook A Index – Physical	**78.15**

Cotton Guide- The ICE prices have been declining. This may sound very weird but cotton can even break the levels of 63 cents per pound. There was some news emanating from China to have released 218 cured patients who earlier contracted the virus. However, this has yet to be confirmed by the World Health Organization. Until then we should embrace for a bearish impact.

This morning, which is first day after the Chinese New Year Holidays, the Chinese stock markets have dropped by 9 percent which emanates how severe the situation in China is. Even WTI Crude [which is linked to cotton] has seen massive drops. Currently it is trading at 51.78 USD per Barrel which is again a bearish indicator for Cotton.

There were massive changes in ICE cotton contracts last week. During the last day of the week, the ICE March contract declined with a huge -155 points and settled at 67.50 cents per pound. The ICE May contract settled at 68.31 cents per pound with -133 points decline whereas the ICE July contract settled at 69.19 cents per pound with a decline of -131 points. Volumes were humungous at 52,931 contracts.

The MCX contracts have been fetching continuous losses. On Saturday 1st February 2020, stock and commodity exchanges were open for trading as it was the budget day. The losses that cotton registered were around -100 Rs for two consecutive days. The MCX February contract settled at 19,310 Rs per Bale and MCX March contract settled at 19,590 Rs per Bale with a change of -90 Rs. The volumes were at 1800 contracts for both Friday and Saturday.

The Cotlook Index A has been updated negative at 78.15 by -100 points. The Prices of Shankar 6 is dropping on a regular basis and has been updated lower at 39500 Rs per Candy. Punjab J-34 at 4,100 per maund. Today's private estimate of arrivals is 225,000 lint equivalent bales, which includes 55,000 from Maharashtra, 47,000 from Gujarat and 44,000 from Telangana.

On the fundamental front, expect prices to head south, irrespective of prevailing fundamental factors. We should not be surprised to see ICE touching 63 cents per pound in the upcoming fortnight. Only if a cure is found for the virus, we can expect cotton to stabilize before becoming bullish.

On the technical front, in daily chart, ICE Cotton March broke down from an upward sloping channel along with the support of 61.8% Fibonacci retracement level of the recent up move. Meanwhile price is below the 5 & 9 day EMA at 68.25, 68.89 with a negative crossover which would act as an immediate resistance for the price, along with RSI at 37 suggesting for the negative bias in the market.

However, the next support for the price would be 65.90 & 65.50, 76.4% Fibonacci retracement level & long term downward sloping trend line (red line) & the immediate resistance is around 67.50 & 68, which are the lower end of the channel & 50% Fibonacci retracement level. Thus for the day we expect price to hold the range of 66.00-67.50 with a negative bias. In MCX Feb Cotton, we expect the price to trade within the range of 18650-19200 with a sideways to negative bias.

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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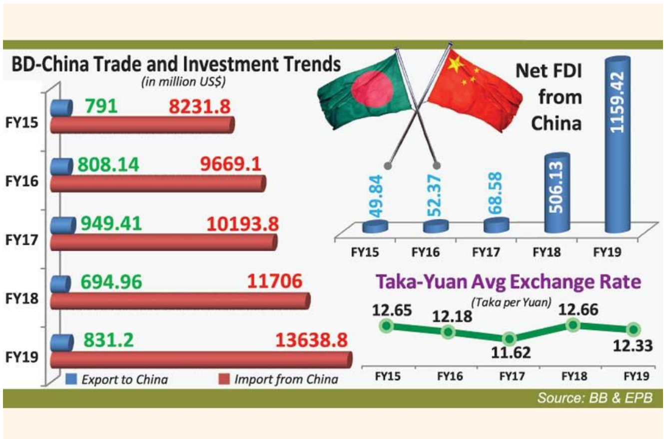
INTERNATIONAL NEWS

China coronavirus epidemic poses a threat to Bangladesh trade

Bangladesh's trade and economy may suffer badly due to the ongoing Coronavirus contagion in China, as the former is highly dependent on the world's second largest economy for its industrial raw materials and finished goods.

Nearly 28 per cent of the country's import comes from China, followed by India, nearly 14 per cent.

China supplies mostly fabrics and garment accessories to local clothing manufacturers, on which Bangladesh's major export sector is highly dependent, sector insiders told the FE.



More than 40 per cent of its textile and textile-related goods come from China. Nearly 30 per cent machinery comes from there, according to the Bangladesh Bank statistics.

The country's import from China also includes agricultural machinery, mobile phone sets, electrical and electronics goods, fruits, and essential spices etc.

"We're really worried, as the country is highly dependent on China," said Anwar ul Islam Chowdhury, president of the Bangladesh Chamber of Industries (BCI), a trade-body having over 1,000 members.

Currently, China is observing New Year, the country's biggest festival, and almost all its factories are closed. So, the actual impact of Coronavirus outbreak that began in Wuhan last month will be felt after the end of New Year vacation, as affected people need at least two weeks to be confirmed.

"We're so far ok. But after the vacation, supply of goods and raw materials from China may be trimmed," Mr Chowdhury, also chairman of Evince Group - a leading clothing manufacturer, told the FE.
"To my mind, local oven sector may be the worst victim, as it is highly dependent on import from China," he opined.

Any critical situation in the Coronavirus-affected Chinese cities might drag down supply of raw materials from there, and thus affect Bangladesh's export sectors that are struggling in recent months.

Abul Kasem Khan, a former leader of the Dhaka Chamber of Commerce and Industry (DCCI), said, "We can see only a negligible economic impact now, but the uncertainty eventually implies that Bangladesh is not immune."

"We don't have any alternative to China. If the epidemic lasts longer and spreads to other nations, it could affect not only Bangladesh but the whole world also."

Mr Khan went on: "Clothing factories normally have very small inventories. If the outbreak continues for a month or so, it might impact the country's trade and economy in a negative way."

He, however, said the government has much information (regarding the situation), and will take necessary steps for handling it.

At present, a number of Chinese people are working in different large infrastructure projects in Bangladesh, including the Padma multipurpose bridge, and they are also contributing to the country's tourism sector as well.

Click here for more details

Source: thefinancialexpress.com.bd- Feb 03, 2020

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Cambodia's economy to grow 7.1 percent in 2020

Singapore-based ASEAN+3 Macroeconomic Research Office (AMRO) projected robust growth in the Cambodian economy this year despite stronger external headwinds.

"Real GDP (gross domestic product) growth is forecast to moderate to a more sustainable rate of 7.1 percent in 2019 and 2020, supported by robust construction activities, strong domestic credit growth, and buoyant domestic demand," the think tank said.

AMRO expects inflation to rise to 2.3 percent this year, slightly up from 2.1 percent last year. Cambodia's principal external vulnerabilities will come from its high reliance on a few markets, particularly the European market.

AMRO said if the European Union (EU) suspends the Everything But Arms (EBA) trade scheme from Cambodia, the country's exports will be adversely affected.

"Moving forward, enhancing competitiveness and diversifying the economic base are critical to maintaining its strong growth potential," AMRO said. "Cambodia must address key structural challenges, such as the relatively poor infrastructure, limited supply of skilled labor, and institutional weaknesses."

In February last year, the EU started the 18-month process that could lead to the temporary suspension of Cambodia's duty-free trading access to the EU market under the EBA scheme. The EU cited concerns about human rights and labor rights issues. The EU will make a final decision on whether to withdraw the trade privilege from Cambodia this month.

As a Least Developed Country, Cambodia has, for decades, enjoyed duty-free exports of all products, except arms and ammunition, to the EU market.

The country's export to the EU was worth €5.3 billion (US$5.86 billion) in 2018, about 95 percent of which entered the EU duty-free taking advantage of the EBA preferences, an EU data showed. Clothing and textiles accounted for around three-quarters of the EU imports from the kingdom.

The garment and footwear industry is Cambodia's largest export sector, employing about 750,000 people in some 1,100 factories. If the EU strips Cambodia of EBA preferences, tariffs on the country's garment, footwear, and bicycle products to the EU market will increase 12 percent, 16 percent, and 10 percent, respectively, according to a World Bank report.

The Cambodian government announced in March last year several measures, including lowering logistics and production costs, cutting red tape, among others. These steps would support local manufacturers and exporters in case the EU withdrew the EBA from the kingdom.

Cambodian Prime Minister Hun Sen has said the measures had helped reduce operating costs for producers and exporters by about US$400 million per year.

Source: aseaneconomist.com- Feb 01, 2020

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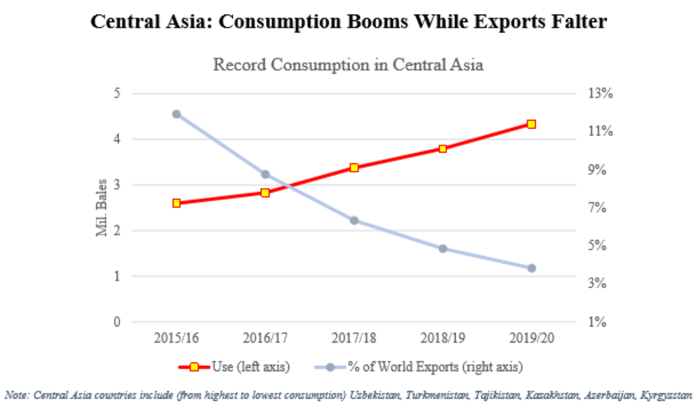
Weakening apparel export causes to lower cotton import in Bangladesh

January forecast of 2019-20 shows less production of cotton and beginning stocks. It seems that the forecast is unchanged as cotton production is lowered again for India, Pakistan, Australia, and Turkey. Consumption is largely unchanged in Bangladesh and Vietnam, according to the United States Department of Agriculture.



For few months Bangladesh has been seeing negative growth from apparel exports and the weakening apparel exports triggered lower import of cotton in Bangladesh. Many Bangladeshi manufacturers have started to concentrate on producing garments using man-made fiber. Experts opined that the trend will continue, so that the cotton import may be decreased a little bit.

However, Central Asia cotton consumption is expanding significantly as countries implement political measures to curb exports and to support value-added use. Share of world exports has dropped per annum since 2015/16 as 2019/20 shipments are projected to be less than half of the region's exports just 4 years earlier.

2019/20 TRADE OUTLOOK

Major Importers:

	Change	Current	Prev.	Reason
WORLD	-	44,833	44,383	
China	-500	8,500	9,000	Lower consumption and slow first quarter imports
Bangladesh	-100	7,200	7,300	Weakening apparel exports
Pakistan	100	4,300	4,200	Lower crop
Turkey	100	4,100	4,000	Lower crop
Vietnam	-100	7,100	7,200	Weak import pace and less consumption

With stable production, major producing countries such as Uzbekistan, Turkmenistan, and Tajikistan have sought to secure greater domestic supplies for inward processing and downstream exports (e.g. cotton yarn, fabric, and garments).

Uzbekistan banned exports starting this month, a similar measure to Turkmenistan banning exports in 2018/19 (for a brief period); Tajikistan had also discussed following the same measure.

Uzbekistan comprises the bulk of production and use, with the 2019/20 forecast accounting for more than three-fourths of the region's total consumption. Government funding and support for cotton "clusters" has encouraged foreign and domestic companies to implement a more fully integrated supply chain.

Major Exporters:

	Change	Current	Prev.	Reason
WORLD	-	44,848	44,398	
Uzbekistan	-200	300	500	Announced export restrictions
India	-200	3,800	4,000	Slow first quarter exports and concerns regarding quality
Australia	-150	1,350	1,500	Smaller crop
Mali	-100	1,300	1,400	Smaller crop

These companies are expected to improve efficiency of lint production via drip irrigation and machine harvesters (versus handpicked), expand spinning mills' operating capacity, and further develop fabric and garment manufacturing as they shift to exports of value-added cotton products versus unprocessed lint. Expanded capacity is evident with record first quarter (Aug – Oct) cotton yarn exports for the respective period.

Greater government and foreign investment have also been evident in Tajikistan, as the government proposed to establish a full cycle of processing cotton by 2025. The country has recently expanded spinning capacity with additional government and Chinese investment.

Turkmenistan, the region's second-largest producer, temporarily embargoed exports in 2018/19 (record low volume) to ensure adequate supplies for domestic consumers.

Challenges in regard to expanding exports of processed products include consistent and sufficient domestic crops, affordable electricity, reliable and timely transportation for exports, and mill access to financing.

Source: textiletoday.com.bd- Feb 01, 2020

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As EU decision on tariffs looms, Cambodia garment industry gets nervous

A rare public spat has broken out between Cambodian garment factories and the international brands they supply as concerns grow that the country will soon lose its tariff-free access to Europe.

Less than two weeks remain until the European Union decides whether it will revoke Cambodia's trade privileges, granted under the Everything But Arms scheme for least-developed nations, due to the country's "systematic" violations of human and labor rights.

Losing EBA privileges would add a 12% tariff to Cambodian apparel exports to the EU and between 8% and 17% for shoes. Europe is a crucial market for the country's $9.5 billion apparel and footwear export sector, and experts warn that other countries competing in the "cutthroat" world of low-cost apparel will be keen to snatch market share from Cambodia.

With a decision due on Feb. 12, major brands including Adidas, Levi Strauss, Ralph Lauren and New Balance last month sent an open letter urging Cambodia's Prime Minister Hun Sen to undertake reforms "immediately."

"The credibility of Cambodia's apparel, footwear, and travel goods sectors are at stake," the joint letter, sent by the American Apparel & Footwear Association, warned.

The letter --signed by 23 companies and associations -- noted some progress but said that many of the brands' concerns remained unaddressed.

They demanded amendments to make the country's trade union law more permissive, a complete repeal of "repressive" legislation regulating NGOs, and that authorities drop all outstanding charges against union leaders. The group also called for greater accessibility for all unions to the country's Arbitration Council.

The letter provoked a sharp response from the Garment Manufacturers Association of Cambodia, which represents 580 factories and rarely criticizes the buyers upon which its members depend.
The association accused the brands of putting "workers at risk" by presenting a "counterfactual" image of Cambodia's garment industry that ignored its achievements.

"GMAC recognizes that there is much work still to do in improving labour and living conditions. But much progress, including increases in wages and social security benefits, has been accomplished," GMAC stated, calling the brands' letter "disappointing."

Such progress may not be enough for Cambodia to retain its trade privileges, however. In a provisional report in November, the EU wrote the country had not done enough to maintain its EBA access. The EU also has the option of applying a partial suspension of trade privileges.

A core EU concern has been the reinstatement of the court-dissolved main opposition party -- the Cambodia National Rescue Party -- and the dismissal of the treason case against its leader, Kem Sokha.

The CNRP remains banned, with many of its members in self-imposed exile abroad. Sokha is currently facing a trial expected to last for three months. Longtime labor rights activist Moeun Tola says the government's measures are "cosmetic."

"Without the proof of systematic progress or improvement, I'm really concerned that the EBA would be lost," Tola said.
Despite the uncertainty, Cambodia's total exports continued to grow last year, surpassing $10.8 billion in the first ten months of 2019 -- a 6.45% increase on the year.

Figures from the EU trade database show exports of textiles, apparel, footwear, travel wear and headwear remained stable, reaching 4.6 billion euros in the first 11 months of last year, on par with 4.8 billion euros for all of 2018.

Gains were made in orders to the U.S. market, where the export value of those goods reached $3.8 billion in the first 11 months of 2019, compared to $3.2 billion in 2018. The biggest jump was in travel goods, which came to $834 million in the first 11 months of 2019, from just $389 million in 2018.
GMAC secretary general Ken Loo said the "strong growth" in the U.S. market came as buyers moved away from China to Southeast Asia last year to avoid tariffs leveled by President Donald Trump in the trade war with Beijing.

The flexibility of buyers, however, could come back to haunt Cambodia. Capital Economics senior Asia economist Gareth Leather said there would be "no shortage" of countries looking to take Cambodia's market share should it lose its duty-free European access.

"Cambodia is quite vulnerable if this change does happen. The margins are so low with a lot of this stuff, the 12% is going to make quite a big difference." Leather also points out that the EU decision will come at a time Cambodia is grappling with the economic shock of the coronavirus outbreak in China, which will "whack" the local tourism sector, he said.

"At least in the short term, it could have quite a big, a very big negative impact on Cambodia's economy," he said. In a recent economic analysis prior to the virus outbreak, the World Bank -- which has estimated the EBA loss would shrink Cambodia's garment exports by between $320 million and $380 million -- forecast the country's GDP would dip to 6.8% in 2020, from 7% last year.

Maxfield Brown, an independent consultant advising companies on investment in the region, said Cambodia's tensions with its main export markets made it a long-term risk. While the EU mulls its decision, U.S.

Congress members have also demanded a review of Cambodia's trade privileges. Cambodia's trajectory could lead to sanctions, Brown warned.

"That creates challenges for anyone who's thinking of a five- or 10-year long investment plan in the Cambodian market," he said. "From a cost perspective it makes great sense, but in terms of the political risk profile of the country, I think there are much stabler alternatives close by."

Source: asia.nikkei.com- Feb 03, 2020

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Myanmar: Exports rise even as kyat strengthens against US dollar

The Myanmar kyat has strengthened against the greenback and is now trading at K1465 per US dollar, according to the Central Bank of Myanmar. In comparison, the exchange rate was more than K1500 per US dollar in November 2019.

Yet, export volumes have been rising, indicating that Myanmar goods are still affordably priced. For the first four months of fiscal 2019-20, which is between October 1, 2019 to now, export volumes hit US$5.7 billion, up more than 28 percent from the same period in the previous fiscal year, according to official data from the Ministry of Commerce (MOC).

Imports for the same period totaled US$6.3 billion, which is up by just 19 pc year-on-year.

That's led to a trade deficit of around US$600 million in the current fiscal year, compared to more than US$1 billion in the previous corresponding period.

The rise in exports was driven by higher demand for manufactured goods like garments, agriculture commodities and minerals, the data showed.

But due to the upcoming general election and a slowdown in the global economy, foreign investors are expected to become more cautious when channeling foreign currency into Myanmar, said U Maung Maung Lay, vice chair of the Union of Myanmar Federation Chambers of Commerce and Industry.

He added that local businesses have also been making fewer investments and are now importing less.

This implies that the kyat could lose steam against the USdollar in the months ahead.

The MOC is expecting total exports for the year to hit US$15.5 billion and for imports to reach US$17.5 billion this fiscal year.

That's lower than in fiscal 2018-19, when exports were valued at US$16.9 billion compared to imports of US$18 billion.

This is also, in part, due to an expected weakening in overall demanddue to slowing global trade and moderating economic growth in China, according to the World Bank.

Under the National Export Strategy 2020-2025, the priority sectors are agro-processing, textile and garment, electrical components, fisheries, forestry products, information technology, logistics services, quality management, trade information, innovation and entrepreneurship.

Source: mmtimes.com- Feb 03, 2020

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NATIONAL NEWS

Union budget proposes National Technical Textiles Mission

A National Technical Textiles Mission with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of ₹1,480 crore has been proposed by finance minister Nirmala Sitharaman in her presentation of Union Budget 2020-21 today. She also announced abolition of anti-dumping duty on PTA, a key raw material for synthetic textiles.

"India imports significant quantity of technical textiles worth $16 billion every year.

To reverse this trend and to position India as a global leader in technical textiles, a National Technical Textiles Mission is proposed," Sitharaman said in her budget speech.

Purified terephthalic acid (PTA) is a critical input for textile fibres and yarns, she said and added that "its easy availability at competitive prices is desirable to unlock immense potential in textile sector which is a significant employment generator. Therefore, in the larger public interest, anti-dumping duty on PTA is being abolished."

The removal of anti-dumping duty on PTA would make import of PTA cheaper for the man-made fabric industry.

Sitharaman also announed launch of a new scheme, NIRVIK, to achieve higher export credit disbursement. The scheme provides for higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.

In the coming months, the ministry of finance will review Rules of Origin requirements, particularly for certain sensitive items, so as ensure that FTAs are aligned to the conscious direction of the government's policy, the minister said.

Source: fibre2fashion.com- Feb 01, 2020

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Budget positive and growth-oriented: TEXPROCIL

The Cotton Textiles Export Promotion Council (TEXPROCIL) has welcomed the Union Budget 2020-21 terming it to be positive, growth-oriented and in the right direction.

It has hailed the Scheme for Remission of Duties & Taxes on Exported products, abolition of anti-dumping duty on PTA, review of rules of origin, and various initiatives for MSME sector.

Finance minister Nirmala Sitharaman presented the budget in Parliament today.

"The budget has stated that the Scheme for Remission of Duties & Taxes on Exported products will be launched this year, which will refund the duties and taxes levied at the Central, State and local levels, such as electricity duties and VAT on fuel used for transportation, which are currently not getting exempted or refunded under any other existing mechanism.

The implementation of this scheme will certainly go a long way in improving the competitiveness of the textiles products in the export markets," said TEXPROCIL chairman KV Srinivasan.

On abolition of anti-dumping duty on PTA, Srinivasan said, "This is an important decision as PTA is a critical input for the textile fibres and yarns and removal of the duty will make its availability to the industry at competitive prices and give a boost to downstream value added product."

The proposed National Technical Textiles Mission with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of ₹1,480 crore will give the much needed encouragement to the technical textiles sector and provide the much needed breakthrough in product development, according to Srinivasan.

He also welcomed the various initiatives in the budget for the MSME sector such as increasing the threshold for audit of books of account from ₹1 crore to ₹5 crore. "Provision to enable NBFCs to extend invoice financing to the MSMEs etc will also lead to ease of doing business for these units."

On imports, Srinivasan said the decision to review the Rules of Origin under all FTAs, strengthening the safeguard measures to deal with surge in imports, and the review of all customs duty exemptions will protect the domestic manufacturers, which in turn will encourage "Make in India" initiative.

Source: fibre2fashion.com- Feb 01, 2020

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Budget 2020: A boost for technical textiles

National Mission to give thrust to production of a wide variety of textiles used in varied sectors

Union Finance Minister Nirmala Sitharaman in her Budget on Saturday announced a National Technical Textiles Mission, which is expected to give thrust to production of a wide variety of textiles used in sectors such as healthcare, infrastructure, automobiles, defence, and agriculture.

The ₹1,480-crore Mission, to be implemented from 2020-2021 to 2023-2024, aims at positioning India as a global leader in technical textiles.

Huge imports

"India imports significant quantity of technical textiles worth $16 billion every year. To reverse this trend and to position India as a global leader, a National Technical Textiles Mission is proposed," she said.

According to K.S. Sundararaman, chairman of the Indian Technical Textiles Association, the size of the technical textile industry in the country is approximately ₹12,000 crore, excluding the hygiene industry.

The last time the sector received focus was a few years ago to set up six centres of excellence across the country.

With the need to create a domestic base for raw material production, push for manufacture of high end technical textile products, boost investments, and increase per capita consumption, there is a need for a Mission.

Nodal office

"We need to see how this Mission will be implemented. There should be an empowered nodal office that will coordinate all the efforts and make the Mission beneficial to the industry," he said.

Another major announcement in the Budget, which is expected to give a thrust to the polyester fibre sector, is abolition of anti-dumping duty on PTA (Purified Terephthalic Acid). This is the raw material for production of polyester fibre.

T. Rajkumar, chairman of the Confederation of Indian Textile Industry, said this was one of the long-pending demands of the industry. "Abolition of anti-dumping duty will bring polyester price in India on a par with international price. Polyester will be the future engine of growth for the Indian textile industry."

The Budget estimates for the textile and clothing sector for 2020-2021 is ₹3,514.79 crore against ₹4,831.48 crore for 2019-2020.

Source: thehindu.com- Feb 01, 2020

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Textile trade bodies hail budget, retail reaction mixed

Leading Indian textile trade associations have welcomed several initiatives announced today in the budget, including a proposed National Technical Textile Mission with an outlay of ₹1,480 crore, abolishing anti-dumping duty on purified terephthalic acid (PTA), a review of rules of origin requirements under free trade agreements (FTAs) and allocation of ₹100 lakh crore for infrastructure development. The reaction of retailers was, however, mixed.

The budget has allocated ₹3,514.79 crore to the ministry of textiles against allocation of ₹4,831.48 crore in 2019-20 budget.

It was presented in the parliament by finance minister Nirmala Sitharaman, who also announced launch of a new scheme, called NIRVIK, to achieve higher export credit disbursement. The scheme offers higher insurance coverage, reduced premium for small exporters and simplified procedure for claim settlements.

Coimbatore-based Indian Texpreneurs Federation (ITF) said the decision on PTA, a key raw material for synthetic textiles, is a first step towards bringing structural changes in the raw material eco-system that will strengthen the Indian textile sector's dream of capturing a better market share in man-made fibres (MMF) and blended apparels. The Clothing Manufacturers' Association of India (CMAI) too felt the PTA decision will benefit sarees, dress materials, home furnishing, sportswear and technical textiles.

Coimbatore-based Southern India Mills' Association (SIMA) chairman Ashwin Chandran said PTA attracts anti-dumping duty from $27 to $160 per metric tonne depending on the country of origin and India often faces shortage of PTA that curtails the capacity utilisation of the polyester segment industry.

Chandran also welcomed the announcement of addressing the inverted duty structure in the goods and services tax (GST) as the Indian textile industry has been suffering because of huge accumulation of inverted duty of capital goods and certain services.

The second big structural reform, according to ITF, is regarding brining suitable provisions in the Customs Act and reviewing the rules of origin requirements to ensure there is no dumping through the FTA route. This will help the textile sector in a big way to face the rising apparel import into the domestic market, it said.

Akhil Jain, executive director of retail brand Madame hoped the bigger chunk of the allocation for the National Technical Textile Mission must be utilised for skill development, technology and automation to generate higher efficiency for faster and cost-effective production.

The proposed financing of invoices of the micro, small and medium enterprises (MSME) sector could be a huge benefit for the textile and apparel industry, which is largely comprised of MSME units, according to former CMAI president Rahul Mehta.

Tiruppur Exporters' Association (TEA) feels the allocation of ₹100 lakh crore for investment in infrastructure will help reduce logistics costs, a hindrance for export competitiveness by apparel units. "The government's decision to ask RBI [Reserve Bank of India] to consider for extension of MSME restructuring till March 31, 2020 is the need of hour to bail out the struggling MSMEs in Tiruppur," TEA president Raja M Shanmugham said.

Welcoming the various budget initiatives that would benefit the textile sector, Cotton Textile Export Promotion Council (TEXPROCIL) chairman KV Srinivasan said the initiatives for the MSME sector like increasing the threshold for audit of books of account from ₹1 crore to ₹5 crore and provision to enable non-banking financial corporations to extend invoice financing to the MSMEs will also lead to ease of doing business for these units.

Retailers Association of India (RAI) chief executive officer Kumar Rajagopalan said the budget paves the way for both ease of doing business and a national policy for retail. Sanjay Vakharia, chief executive officer of Spykar Lifestyles, however, said the budget has nothing much to spur demand and consumption—a key expectation of the retail sector—except reduction in personal income tax.

Source: fibre2fashion.com- Feb 01, 2020

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Removal of anti-dumping duty on PTA a right step: SIMA

The Southern India Mills Association (SIMA) has thanked Prime Minister Narendra Modi for favourably considering the long pending demand of the industry and abolishing the anti-dumping duty being levied on Purified Terephthalic Acid (PTA) imported from different countries including China, Indonesia, Taiwan, Iran, Malaysia, in Union Budget 2020-21.

PTA attracts anti-dumping duty from $27 to $160 per metric tonne depending upon the country of origin and India often faces shortage of PTA that curtails capacity utilisation of the polyester segment industry. "The announcement has come as a boost for PTA users and the entire man-made fibre textiles and clothing segment.

This would greatly help the country to enhance its global competitiveness, boost exports and also enable domestic manufacturers to compete with cheaper imports," SIMA chairman Ashwin Chandran said in a press release.

He also welcomed the proposal of curbing cheaper imports by imposing Rule of Origin and other safeguard measures on the FTA countries.

Welcoming the announcement of National Technical Textiles Mission by allocating ₹1,480 crore for the next four years, he said that as the country has been importing technical textiles to the tune of $16 billion per year, the Mission would help the industry to strengthen the technical textile segment by taking advantage of benefits already extended under different state textile policies and also the Amended Technology Upgradation Fund Scheme (ATUFS). He also appreciated the enhanced allocation of ₹761.90 crore for ATUFS as against ₹700 crore allotted during the previous year.

Chandran also hailed the announcement of the Schemes for Remission of Duties & Taxes levied on export products, NIRVIK for extending competitive credit facilities and higher insurance coverage with lesser premium, and simplified procedure for claim settlements.

He also welcomed the announcement of addressing inverted duty structure in the GST as textile industry has been suffering with huge accumulation of inverted duty of capital goods and certain services.

The various announcements made including the abolition of dividend distribution tax paid by the companies, significant reduction in the personal income tax rate, Vivad Se Vishwas scheme enabling dispute settlement without any interest and penalty, and simplification of appeal provisions, GST returns, income tax returns, etc are also welcome features of the budget, said Chandran.

While appreciating the various benefits and schemes announced for the farmers to double the income by 2022, Chandran appealed to the government to announce a special scheme for cotton development.

Source: fibre2fashion.com - Feb 01, 2020

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Can the budget revive growth in the long term?

With the finance minister delivering the much awaited budget 2020-21, the focus is now on its impact in reviving economic growth.

First, the biggest focus before and after the budget was on changes in the personal income taxes. The government has sought to increase spending capacity by delivering a personal income tax cut but only with removal of exemptions. The overall impact on tax liability is unclear, but the government has estimated the value of the tax cuts at ₹40,000 crore. This will have a moderate boost to consumption demand in the short run but the impact on other sectors will have to be further looked into.

Second, the big bet of the government to boost growth is push for investments in its industrial sector and push for India's participation in the global value chains. This is borne by further changes announced in the dividend distribution tax (DDT), moving its incidence from the company to the recipient. This follows the corporate tax cuts announced in September 2019, and will boost India's attractiveness to investments, especially by foreign companies.

This seems similar to government's reform method adopted in IBC and GST reforms where the government continues to tweak the reforms as it receives the feedback and learns from the implementation. Further, government has announced an investment cell which will handhold investors for all clearances. This scheme is based on global best case practices and depending on its implementation, it can significantly help in ease of doing business. Another set of measures announced aim at further simplifying the tax administration and boost investor trust. The government has also rightly focused on co-opting states in this regard.

Besides these overall measures, the government has announced measures in specific manufacturing sectors. On textiles, it has announced a package of ₹1,480 crore and has waived anti-dumping duties on a key component namely PTA (ranging to about 3%-23% of the prevailing international price). This will help boost the competitiveness of the key sub segments of the textiles industry, technical textiles and synthetics. Across a range of sectors from toys, footwear, furniture, electronics, machinery, and other items, custom duties have been raised along with greater scrutiny of imports from free trade agreements. The government seems to be betting that greater protection from imports will help domestic industry; however, there is a risk that higher custom duties dilute India's efforts to integrate with global value chains. Further analysis of specific goods will be required, for example on whether the import duties imposed are on intermediate goods or final goods to determine the overall impact of these measures.

Third, another focus area of the government is to increase investments in infrastructure. Despite challenges in meeting fiscal math, the government has budgeted in 2020-21 for an increase in capital spending by about 20% over the last year. However to meet the goals of the national infrastructure pipeline, there is also a need to attract private investment. In this regard, there are a host of announcements of encouraging PPP by the provision of value gap funding by the government in areas such as hospitals, medical schools, warehouses and cold chains in agriculture, freight trains, etc. These are areas where investment is much needed but depending on how this is taken up this year, there could be a boost in infrastructure spending.

Overall, the budget provides a set of measures to help progress across various areas of the economy. The government is hoping that this will improve the trust within the industry to get their animal spirits going.

Source: livemint.com - Feb 03, 2020

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Logistics Policy to improve trade competitiveness coming

A National Logistics Policy, which will create a single window e-logistics market and focus on generation of employment, skills and making micro small and medium enterprises (MSMEs) competitive, will be announced soon, Finance Minister Nirmala Sitharaman said.

"It will clarify the roles of the Union Government, State Governments and key regulators," Sitharaman said in the Budget.

The cost of logistics in India is about 14 per cent of the Gross Domestic Product and is much higher than many other countries such as Japan where it is 11 per cent of GDP and the US where it is 9-10 per cent. India's target is to reduce it to about 10 per cent by 2022 which could increase exports by 5-8 per cent, as per government estimates.

“The National Logistics Policy formulated by the Commerce and Industry Ministry will improve India’s trade competitiveness, create more jobs, improve performance in global rankings and pave the way for India to become a logistics hub,” according to a release circulated by the Commerce & Industry Ministry.

The logistics sector is complex with more than 20 government agencies, 40 partnering government agencies, 37 export promotion councils, 500 certifications and 10,000 commodities and a $160-billion market.

It has a 12 million employment base and involves 200 shipping agencies, 36 logistics services, 129 ICDs, 168 CFSs, 50 IT ecosystems and banks and insurance agencies. Moreover, there are a total of 81 authorities and 500 certificates are required for export-import trade.

Other Budget announcements such as viability gap funding for warehousing and their geo-tagging, village storage schemes, cold chains for fish and perishables and refrigerated vans for perishables in passenger trains will also give a boost to logistics, the statement said.

“The National Logistics Policy, with the creation of a single-window e-logistics market, is another initiative that will help organise and streamline the sector, contributing to efficiency, cost reduction, and optimisation of resources,” according to Aditya Vazirani, CEO, Robinsons Global Logistics Solutions.

Source: thehindubusinessline.com - Feb 02, 2020

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Economic Survey 2020: Promise for better employment and integration in global trade markets

Addressing the concerns of a chronic economic slowdown warrants a comprehensive fiscal reform approach that is sound on accounting details and has a coherent long-term vision.

Both the Economic Survey and the Union Budget seek to do this. The Survey released on Friday tries to articulate a long-term economic vision by focusing the government's priority on labour-intensive employment and a greater reliance on reforms in agri-business and export segments.

Spur consumption

The Survey talked about 'Assemble in India', a new vision to spur the 'Make in India' scheme. The Budget ought to address four key areas to handle a demand-driven slowdown and boost spending among all stakeholders in the economy as a first step towards realising the Survey's ambitious goals. The need to focus on consumption demand, especially amongst lower- and middle-income groups and, in-turn, to give substantive opportunities to the industrial sector for higher investment and job-creation, is critical, as per the Survey.

The Finance Ministry's decision to cut corporate tax rate recently hasn't yielded a positive boost so far to overall industrial production. In sectors like construction, most firms are currently choked with higher tranches of debt, or are otherwise unwilling to invest long-term capital due to low consumer demand. To address this, a two front fiscal approach may help. First, on the consumer end, marginally cutting personal income tax or boosting tax exemption limits for new home loan earners can spur consumer demand, also helping the case of real estate firms in turn. Second, on the producer end, fiscal incentives through direct and indirect tax exemption on the production and distribution of certain commodities to incentivise larger production can help to boost spending in the short term.

In sectors like real estate, steps to fiscally support existing infraprojects instead of creating a space for new investments may prove to be far more effective. The Survey rightly emphasises prioritising agri-focused reforms in irrigation and insurance networks for farmers' income to increase substantively over time. Agri-incomes in recent years have come down to

3.1% of GDP as against being at 4.4% between 2002 and 2011. Its output has been more or less the same for two decades.

The Union finance minister can, for one, expand the PM Kisan Yojana's ambit to bring more farmers under direct income transfer assuming that outlays promptly translate into outcomes and disbursements are ensured in the shortest span of time to increase rural consumption. Encouraging growth and expansion of Farmer Producer Organisations (FPOs) is another critical measure that needs attention. Substituting agri-based subsidies with beneficiary-based direct transfers can be another major step.

Of farms & factories

A robust 'farm-to-factory' supply channel is vital for the manufacturing sector to also benefit from rise in production of agri-based commodities. India's significant leverage in domestic production has been in its cooperative style of business across states. A targeted fiscal promotion for development of 'Commodity-based Cooperatives' (CBCs) to encourage small- and medium-scale cooperatives could provide a 'self-sufficient' environment for food, clothing and financial needs for almost 1.3 billion people. It can also add great export value for India's expansion in regional and neighbouring export markets.

Indian export potential has remained high in the textile and clothing segment. But supplyside bottlenecks have inhibited its rise. The Survey sees India's possibility to integrate better in the global trade market, given the opportunity made available from a conflicted US-China and US-Europe trade relationship. A more explicit focus, through fiscal policy interventions and creation of better connected trading zones, can boost exports by generating higher employment for workers.

Beating job crunch

Educated youth, mostly women, in both rural and urban areas, are the worst affected by the current unemployment and unemployability crisis. The Survey ambitiously targets the creation of 4 crore jobs by 2025 and 8 crore jobs by 2030.

For this, the government needs a comprehensive fiscal plan to incentivise labour-intensive sectors and other areas where workforce participation for women can be enhanced significantly. A Budget-sponsored signal promoting women’s safety and mobility will be a huge boost for overall economic productivity and also act as a catalyst for employers to hire more women in sectors where their work participation has stayed low.

It is important to increase the number of working-women hostels and promote exclusive transport for working women across urban spaces. This can be achieved through a Union-funded budget scheme.

Addressing these four areas of critical concern through a focused fiscal approach can catalyse a short- to medium-term recovery process for the economy and crowd-in a wave of economic optimism for all stakeholders, while making some of the goals outlined in the Survey more realisable.

Source: dailyo.in – Feb 01, 2020

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Synthetic yarn may get cheaper with anti-dumping duty removal on PTA

While it will improve cost efficiencies in the textile industry, manufacturers of this key raw material may see their margins getting squeezed

Polyester or synthetic yarn could get cheaper with union finance minister Nirmala Sitharaman abolishing anti-dumping duty on Purified Terephthalic Acid (PTA) in the Union Budget on Saturday. This will make import of the petrochemical from Iran, China, Indonesia, Malaysia, Korea, Taiwan and Thailand cheaper.

Once this key textile raw material becomes cheaper, domestic yarn manufacturers are expected to pass on the benefit to consumers. The benefits are not immediate as the material is being imported from other countries.

China has added huge capacities in recent quarters and there is a possibility of cheaper imports from that country after removal of this duty.

The finance minister has justified removal of anti-dumping duty on PTA in public interest and to make it easily available at competitive prices for unlocking immense potential in the textile sector. India’s PTA demand for domestic use was estimated at 7 million tonnes and almost half of it was imported.

PTA is a key raw material in synthetic yarn production on which anti-dumping duty was imposed to protect domestic manufacturers such as Reliance, IOC, and Materials Chemicals and Performance Intermediaries Private Limited (MCPI), which produce nearly 3.5 million tonnes PTA for the domestic market. The rest is exported. These companies will experience margin pressure on PTA.

K Ravichandran, Senior Vice President, Group Head-Corporate Ratings, Icra said, "Removal of anti-dumping duty (ADD) on PTA will put pressure on the realisations of domestic PTA manufacturers, and will lead to accelerated imports at a time when the market is facing a glut emanating from large capacity additions in China recently.

As a result, the spread between PTA and Paraxylene should drop to below $100 per metric tonne in the near term. This spread had already started correcting in the last few quarters to $110-$120 per metric tonne from levels of $180 a year ago. This will be a credit negative for standalone PTA manufacturers, albeit integrated petrochemicals manufacturers should be able to withstand the squeeze."

JBF Petrochemical’s plant is 90 per cent ready but it is as of now stalled. Short-term fluctuations notwithstanding, polyester yarn prices in India were relatively high in a sluggish economy due to high input costs, including that of PTA.

Removal of anti-dumping duty on PTA will now allow Indian synthetic yarn spinners to access cheaper, good quality raw material from outside India, making their cost structure more efficient.

According to Rakesh Biyani, president of Clothing Manufacturers Association of India (CMAI), removal of anti-dumping duty on PTA would potentially open up the MMF value chain, benefiting technical textiles, home furnishing, sportswear, sarees and dress materials, among others.

For instance, homegrown sports brands believe this would now lead to enhanced global competitiveness for mid-sized manufacturers.

"The domestic (sports gear) industry was not getting proper support in last 15-20 years leading to lot of factories getting closed. There is a huge gap in terms of sports gear manufacturing capabilities between India and other countries. Removal of anti-dumping duty on PTA will boost the moral for domestic industry which works on volume and every single penny matters in this industry," said Arun Pandey, founder of 'Seven by MS Dhoni' sports brand and CMD of Rhiti Group.

High prices of PTA had not only led to costlier synthetic textiles, thereby making Indian exporters non-competitive in the global market but also affected capacity utilisation due to staggered production.

Due to higher priced PTA as a raw material, synthetic textiles from India were 10 per cent costlier than their global counterparts leading to subdued exports.

According to O P Lohia, chairman and managing director, Indo Rama Synthetics Ltd., this augurs well for the industry at a time when textile exports had more or less stagnated at $36 billion.

"This will help the industry to be competitive. Due to high input cost, the local synthetic textile industry was facing competition from other destinations like Bangladesh in terms of cheaper imports. The move will now help create jobs and push up exports. PTA availability has been an issue and industry was running hand-to-mouth. In addition, there was roughly 10 per cent difference in pricing between Indian and overseas players," said Lohia.

Synthetic textile players will now be able to buy PTA which would be at par with global standard, said Makrand Appalwar, Managing Director, Emmbi Industries Ltd. "Cost efficiencies of Indian manufacturers will now get better and will have higher chance of better exports. It will take around 60-90 days for the budget announcement to finally take effect," he said.

The garment industry too has welcomed the move as it will provide a fillip to the entire man-made fibre (MMF) industry.

Source: business-standard.com– Feb 02, 2020

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Existing textile units in Maharashtra hang by a thread

The Union Budget 2020 has announced Rs 1,480 crore, over four years, for the National Technical Textile Mission to cut down imports. However, the industry rued the lack of impetus to the existing textile units that are struggling to survive.

Ichalkaranji, Bhiwandi and Malegaon are the textile hubs of Maharashtra, where cloth is produced using cotton grown in the Vidarbha and Marathwada regions. According to industry experts, there are approximately 10 lakh textile units across the state, with over 50 lakh people dependent on them.

Ichalkaranji town, which is known as the Manchester of Maharashtra, has a daily production of 1.25 crore metre of cloth through its powerloom units. The market value of this fabric is Rs 50-55 crore.

The production has dropped drastically over the past few years, but even the low volume of produce is failing to find market, said Satish Koshti, the president of Ichalkaranji Powerloom Weavers Cooperative Association Limited.

Koshti told TOI that fabrics and garments manufactured in Ichalkaranji were failing to find market due to greater imports from Bangladesh. “Earlier, Kolkata was a prominent markets for us. Now, that market has been captured by the Bangladesh-based industries,” he said.

There are about 20,000 powerlooms in the lanes and bylanes of Malegaon city, which employ nearly 1 lakh people. The industry has been going through a lean phase due to the rise in power tariff, demonetization, GST, and drop in demand for the material manufactured. Koshti said the textile industry needs an immediate push for revival. “It is a dire situation for us. Ichalkaranji hosts around 1.25 lakh powerloom units at present, while around 20,000 to 25,000 units have been shut down due to the losses in the past four years,” he said.

The textile unit associations have been raising their concerns with the state and Union governments, but there has been little response. “Today’s Budget too did not paint an enthusiastic picture,” Koshti said.

He said the revision of power tariffs, partial clearance of loans are some of the immediate steps that the governments should take to bail out the industry. “The floods last year also damaged a few thousand units in Ichalkaranji and weavers need to get compensation,” he said.

Prakash Awade, Independent MLA from Ichalkaranji, said the Union government had shown inclination to support technical textile, but it needs to make better provisions for the existing industry.

Source: timesofindia.com – Feb 02, 2020

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Tiruppur exporters welcome people-oriented budget

Tiruppur Exporters' Association (TEA) president Raja M Shanmugham has welcomed the Union Budget 2020-21 presented by finance minister Nirmala Sitharaman in Parliament today. Stating that the budget is a people-oriented one, he appreciated the government's focus on three aspects—agriculture and farmer welfare, wellness, and education and skills.

He said the measures announced in the budget will help for overall development of economy. "The allocation of ₹100 lakh crore for investment in infrastructure will help to reduce the logistics cost as of now the poor logistics is one of the hindrance factors for attaining the export competitiveness by our units," he added.

Welcoming the announcement on proposal of setting up National Technical Textile mission with an out lay of ₹1,480 crore, he said it will boost the manufacturing of technical textiles in our country. He also welcomed the launching of a new scheme NIRVIK to achieve higher export credit disbursement, mainly to support small exporters. He further said that the step to give invoice-based loan from NBFCs will benefit MSMEs.

"The government's decision to ask RBI to consider for extension of MSME restructuring till March 31, 2020 is the need of hour to bail out the struggling MSMEs in Tiruppur," he said. Moreover, the digital refund of duties and taxes of centre, states and local bodies to exporters from this year will help to reduce time taken to refund the amount. Further, the removal of dividend distribution tax and rationalisation of personal income tax are bold steps and will help across the board.

Overall, the budget has allocated ₹3,514.79 crore to the ministry of textiles against allocation of ₹4,831.48 crore in 2019-20 budget. Of this, the fund allocation for Amended Technology Upgradation Fund Scheme (ATUFS) is only ₹761.90 crore, while the pending claims to the industry is ₹8,500 crore.

Source: fibre2fashion.com - Feb 01, 2020

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Coronavirus: Indian industry may get to fill gap left by Chinese traders

With the outbreak of coronavirus causing panic in global financial markets, Indian exporters see a reason to worry if the virus is not tamed soon. The real impact of trade can be gauged after February 8, when the Chinese Lunar Year holidays end. But despite the direct hit to trade with China, the Indian industry may get to fill the gap left by Chinese traders.

Fertiliser firms stand to gain

Fertilisers and organic chemicals, along with plastic materials are among the top five items in the list of imports from China.

The outbreak of the virus could hit India's non-urea or diammonium phosphate fertiliser imports. A fertiliser analyst with a large foreign broking house, however, said that domestic firms making these will be at an advantage.

Apparel traders wait and watch

A leading apparel exporter said that in 2003, when SARS virus hit China, which later spread to 17 countries, it did not lead to significant damage. "This time, it could be a cause for worry if the situation doesn't come under control and continues for a longer time," the official said. A South India-based textiles company executive said, "We have to see whether any order can be placed there (in China) in near future."

Cotton exports going strong

Last year, India exported 800,000-900,000 bales of cotton to China. In the first four months of the cotton year (October-January), 600,000-700,000 bales were shipped to China. Exporters also have orders worth 300,000 bales. One player had decided to stop exports to China. But Atul Ganatra, president, Cotton Association of India, said it was a one-off case and there is no panic as of now.

Coffee exports may be hit

Coffee exports to China are set to fall. Ramesh Rajah, president, Coffee Exporters Association, said it will have some impact on coffee consumption in China, leading to lower demand.

Two leading global retail coffee chains have temporarily closed over 2,000 coffee shops. India exports $336 million (April-November 2019) worth of coffee, including tea and spices to China.

Leather sector hopes to gain

India exports $223 mn of leather tanning and dyeing extracts, while its import of these items from China is worth $394 mn. If China's exports of these items in the global market are impacted, the domestic industry can look to gain by filling up this vacuum. However, the gain is yet to be quantified by the industry, Small Tanners' Association member Nayyar Jamal said.

Source: business-standard.com - Feb 02, 2020

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Exporters likely to be exempted from 'Tax at Source'

The government will soon clarify that the $300-billion exports sector would not be covered by the proposal for 1% tax collected at source (TCS), introduced by the budget. Officials told ET that the budget has an enabling provision to provide exclusions.

"The intent is not to tax overseas buyers of Indian goods. Since these entities are based abroad, they do not have any tax liability here. The idea is not to bring them under the tax net. There is an enabling clause that allows the government to notify entities that would not be covered, and exporters will be excluded," said a senior government official.

A seller of goods has to deduct TCS at the rate of 0.1% before making payments in excess of Rs 50 lakh. In cases where the buyer doesn't have a Permanent Account Number (PAN) or Aadhaar — which is the case with exports — the rate will be 1%, says the budget proposal.

Tax experts said the provision means that export of goods could attract this levy, and since overseas buyers of Indian goods would not have PAN or Aadhaar, the tax rate would be 1%.

Tax Net Widened

"Proposed TCS provisions apply even to exports, and Indian exporters (who receive more than Rs 50 lakh in a financial year) will need to collect 0.1% TCS from buyers. However, the proposed Section provides a mechanism for the CBDT (Central Board of Direct Taxes) to exempt certain classes of people. And in all probability, exporters will be exempted," said Amit Maheshwari, partner at Ashok Maheshwary & Associates LLP.

Only sellers whose total sales, gross receipts or turnover exceed Rs 10 crore during the preceding fiscal year shall be liable to collect such TCS.

"Central government may notify person, subject to conditions contained in such notification, who shall not be liable to collect such TCS," the budget says. This means exporters can be excluded by a simple notification.

TCS provisions were introduced to widen the tax net. They are being gradually expanded to include more entities and businesses.

The budget has introduced TCS on overseas remittances through the liberalised remittance scheme (LRS) and even overseas tour packages.

The person on whom the incidence of TCS falls can set off the tax against his financial liability. The deduction of tax creates a transaction trail and helps check evasion. At the least, it accrues some tax to the government in case it is not claimed or adjusted.

Source: economictimes.com - Feb 03, 2020

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