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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 68 of 2018 April 03, 2018

USD 65.06| EUR 80.07 | GBP 91.46 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19218	40200	**78.74**

Domestic Futures Price (Ex. Gin), April

Rs./Bale	Rs./Candy	USD Cent/lb
20620	43132	**84.48**

International Futures Price

NY ICE USD Cents/lb (May 2018)	80.97
ZCE Cotton: Yuan/MT (Jan 2018)	14,810
ZCE Cotton: USD Cents/lb	**90.92**
Cotlook A Index – Physical	**89.95**

Cotton guide: On Monday cotton futures ended on the lows and settled with moderate losses. We believe the negative sentiment was carried away with other markets. May settled at 8097, down 49 points from previous close. December settled at 7749, down 24 points. From the trading front volume was 30,042 contracts. Cleared Thursday were 36,213 contracts.

As discussed the other markets have been hit onto negative side. US equities struggled over tariffs and a trade war and they generally gave back Thursday's gains. However, there were no news related to cotton and cash trades were quiet in the market.

Further on the trading front, Monday was the last of 3 days for the Jim Rogers long-only spec funds to roll into July however, there were no major impact on the market. Goldman Sachs, cotton's biggest long-only spec fund begins their 5 days of rolls on Friday.

Certified stocks began Monday at 57,224 bales, down 2,994 bales in decerts. There were zero bales awaiting review. Since the net 647 notices were issued on March, a total of 53,080 bales have shown as decerts.

On the global front the Chinese State Reserve Auction's daily turnover rate was 50.18 percent: 30,000.315 tons (137,791 bales) offered; versus 15,055.192 tons (69,148 bales) sold.

On the technical front price made a high of 82.72 while slipped in the later session below 81 to close at 80.97 cents per pound. Market has breached the support of 81 and believes if it holds below 81 then the fall may be extended. This morning ICE cotton has rebounded a tad to trade at 81.36 cents and expect market to remain sideways for the day and the trading range could be 80.80 to 81.80 cents per pound.

On the domestic front, spot price for S-6 continues to hover around Rs. 40500 per candy ex-gin and believe market is to remain sideways however, drop in arrivals might support cotton price to rise in the near term. Lastly on the futures front the April cotton closed the session on Monday at Rs. 20620 per bale. We expect market may notice initial drop in the price while we recommend buying on lower level. The trading range for the day would be Rs. 20400 to Rs. 20780 per bale.

Indian rupee- Indian rupee appreciated by 0.15% to trade near 65.08 levels against the US dollar. The US dollar is under pressure amid mixed economic data, lower bond yields and continuing sell-off in technology shares. However, weighing on rupee is weaker risk sentiment amid trade war worries and sell-off in equity market. Mixed factors may keep rupee choppy but we could see some depreciation if risk sentiment remains weak. USDINR may trade in a range of 64.95-65.25 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Trade Tension with China, U.S. Pushes South Korea Toward Vietnam

Facing persistent trade tensions with China and the U.S., South Korea is deepening ties with Vietnam, which is on course to surpass the U.S. as Korean companies' second-biggest export market.

South Korean President Moon Jae-in is looking to expand trade with Southeast Asia as one way for corporate giants such as Samsung Electronics Co. to diversify production bases and export markets. Seoul sees the U.S. under President Donald Trump as an increasingly demanding and unreliable trade partner, while tensions with China over the U.S. Thaad missile-defense system have dragged on for more than a year.

Korean companies have long built factories in Vietnam but the Thaad dispute has made Vietnam more attractive as a production base and an export market, said Kim Ill-san, a director at the Ho Chi Minh City branch of the Korea International Trade Association.

One result is that South Korea's exports to Vietnam rose by nearly half in 2017 alone, and have more than doubled over the past three years. Vietnam is now expected to become South Korea's No. 2 export market by 2020, according to the trade association.

"Korea mostly sells intermediary and capital goods to Vietnam, but as Vietnam's economy grows, there will be bigger room to sell consumption products," Kim said.

In a meeting on Monday explaining his March visit to Vietnam, Moon said growing trade protectionism and trade conflict between U.S. and China could hurt the Korean economy, and he urged the country to prepare.

Finance chiefs from Korea and Vietnam agreed to meet annually to expand economic cooperation, the Korean ministry said in a separate statement.

Companies like Samsung and Lotte Group are leading the way as Korean investment in Vietnam, once focused on labor-intensive sectors such as textiles, increasingly goes into electronics manufacturing, services and retail.

South Korea is now the biggest foreign investor in Vietnam, with total direct investment reaching a record-high $7.4 billion through the first 11 months of last year, according to the Korea Trade-Investment Promotion Agency.

And it overtook the U.S. as Vietnam's second-largest trading partner last year. About a third of Korea's shipments to Vietnam are semiconductors and displays destined for electronics production lines, the trade-promotion agency said.

With a fast-growing economy and a young population, Vietnam also offers an attractive market for retailers. Its economy expanded 7.4 percent in the first quarter from the same period a year earlier, and a third of its population is aged 15 to 34.

In the retail sector, Lotte Group, which came under fire in China over its role in the Thaad deployment, is seeking to sell its hypermarket stores there, yet plans to increase the number of retail stores in Vietnam by more than six-fold by 2020 -- to 87 from 13. E-mart Inc., Korea's largest operator of discount stores, is building a second store in Vietnam after withdrawing from China due to poor sales.

Shock Absorber

South Korea's investment is helping fuel growth and prosperity in Vietnam. Samsung says it employs 100,000 people at its plant in Hanoi, while the number of its affiliate companies and suppliers is estimated to be around 300.

Speaking in Hanoi last month, Moon described the growing relationship with Vietnam as a win-win deal. "About 5,500 Korean companies are now doing business in Vietnam," Moon said. "One million Vietnamese workers have good jobs, and Korean companies are growing fast thanks to competent and diligent Vietnamese workers."

Those ties look set to deepen. During Moon's visit to Vietnam, the two countries and their companies signed 18 memoranda of understanding. It's part of what Moon calls his New Southern Policy, strengthening connections with members of the Association of Southeast Asian Nations while reducing economic and diplomatic reliance on China and the U.S.

To be sure, expanding trade and production in Vietnam will only provide a limited buffer against Trump and Beijing, particularly if trade tensions worsen further. Many of the products South Korean companies are making in Vietnam are destined for the U.S. and China.

"Vietnam and Asean can't be alternatives for the U.S. and China, but they are new, complementary markets to prepare against shocks in the two big economies," said Kwak Sungil, a director at the Korea Institute for International Economic Policy, a government-affiliated think tank.

Source: bloomberg.com- Apr 03, 2018

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USDA projects 13.5 million cotton acres for 2018

National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA) in its annual Prospective Plantings Report, issued on March 29, estimated the planted area for all US cotton in 2018 is at 13.5 million acres, a 7 per cent increase over 2017.

Upland cotton area is estimated at 13.2 million acres, up 7 per cent from last year. American Pima/ELS cotton area is estimated to grow by 4 per cent to 262,000 acres.

Acreage increases are projected in 15 of the 17 cotton producing states in the U.S. Only Louisiana, Mississippi and Virginia showed slight decreases. The largest state acreage estimates came from Texas (7.3 million acres) and Georgia (1.45 million acres). American Pima area is estimated at 262,000 acres, up 4 per cent from 2017.

Source: fashionatingworld.com- Apr 02, 2018

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Bangladesh: Direct exports draw huge investments in garment accessories

According to BGAPMEA's latest data, garment accessories and packaging products earned $6.7 billion in the last fiscal year, of which over $1 billion came from direct exports

Bangladeshi garments accessories and packaging manufacturers have made a massive new investment to seize a larger chunk of the global export market share. According to data from the Bangladesh Garment Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA), garments accessories and packaging manufacturers have made an investment of Tk722.5 crore, with more proposals in the pipeline.

Sources in the sector said this new investment focuses on producing higher quality garment accessories with an aim to increase exports and establish the sector as a direct export earner instead of just deemed. Since there is more capacity than is currently needed, accessories can be another big export earner, they opined.

"Bangladesh is already well established as a sourcing hub for apparel products. Garment accessories and packaging products are key components for competition. The demand of accessories is increasing very fast at home and abroad," Al- Shahriar Ahmed, Managing Director of Adzi Trims Ltd told Dhaka Tribune.

Bangladesh is almost self-sufficient in meeting local demands in the garment accessory manufacturing sector. This direct exporting will open up a new avenue for local manufacturers, said Shahriar.

"In order to reach market demands for exports, I have made investment of $3.8 million to produce eco-friendly and high quality value added products, which is what global fashion brands prefer," continued Shahriar. "I have another investment of $6 million which is aimed to increase my production capacity, since I plan to increase my yearly turnover to $18 million in 2018 from the existing $12 million," he added.

BGAPMEA president Abdul Kader Khan told the Dhaka Tribune: "If the government provides logistic support including gas and electricity connections, the investment will increase further.

"Manufacturers are using coal instead of gas to run boilers due to a gas shortage. This is costly due to a higher import duty on coal. If the government allows duty free coal import, manufacturers will be more price-competitive," he also said.

Currently, manufacturers have to pay about a 45% tax on import of coal.

Direct export opportunity

According to BGAPMEA's latest data, garment accessories and packaging products earned $6.7 billion in the last fiscal year, of which over $1 billion came from direct exports. Usually, accessory products are exported with finished products and termed deemed exports. Now, they are being separately exported to several countries as direct exports.

"For the last four years, we have been exporting garment accessories to Indonesia and Malaysia. Bangladesh has enormous opportunities as we have the ability to execute bulk export orders in terms of quantity and quality," Zahir Uddin Haidar, chairman of Cosmos Group told Dhaka Tribune.

Last year, the company earned $200,000 and has set a target to export products worth $350,000 in 2018. "The value addition of garment accessories is over 30%, which is increasing day by day. If the government provides proper policy support, the sector can earn as much as the apparel sector itself in future," said Zahir.

According to industry insiders, India, Vietnam, Indonesia, Malaysia, Pakistan, Sri Lanka, Finland, Myanmar, and other apparel manufacturing countries are all potential markets for Bangladesh.

"There is no doubt that Bangladesh will turn into a global leader in accessory export very soon as it has already established an international standard in manufacturing the products," Exporters Association of Bangladesh (EAB) President Abdus Salam Murshedy told Dhaka Tribune. "It is my earnest urge to the government to let the sector bloom by providing all out cooperation, which is what they need right now."

According to people of the sector, accessories contribute to 15% to 18% of a finished garment product.

Challenges for the industry

Since there is a huge opportunity to grow in the local market as well as in the export market, investors want to pour funds.

However, a lack of policy support including gas and electricity connections and tax burdens hinders the inflow of investments, with port congestion being another issue.

"As an exporter of garment accessories and packaging products, we are receiving good response from global buyers. But for executing the orders, uninterrupted gas connections for existing as well as new investors is an important requirement," Md Tanvir Soyed Islam, Manager (Sales) of Montrims Limited told Dhaka Tribune.

"Import dependency for raw materials is another challenge. Due to this import dependency, production becomes more time-consuming and expensive. If the government paves the way for local industries to produce raw materials required for accessories, it will help to save foreign currency," continued Tanvir, "Due to a high price of raw materials, we are unable to beat foreign companies," he adds

"In tapping opportunities and grabbing export market shares so Bangladesh can establish a strong foothold in the global market, the sector needs tax rebates and cash incentives towards the direct export of accessories and packaging products," he added.

"As it takes time to import raw materials, buyers choose finished goods instead. To ensure timely deliveries, the government should increase port efficiency," KM Shahidullah, Senior Manager (Credit) of Dekko accessories told Dhaka Tribune.

"Manufacturers of apparel products choose China for sourcing accessory products as they offer lower prices than us.

"This is because of a higher price of raw materials caused by import duty combined with the delay of importing," said Shahidullah.

Source: dhakatribune.com- Apr 02, 2018

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Bangladesh: The journey begins

What's next for the textile and apparel industry? This is the first part of a two-part op-ed

I am happy to see the opportunities ahead for my country and that all the hard work has paid off to graduate out of the LDCs. I am thankful to the government of Bangladesh for having directed the nation towards its newly acquired status.

On that note, there are also challenges involved for developing countries that have an impact on the global community. The hurdles for poverty reduction and climate issues being some reoccurring factors, next to financial stability and the lack of a holistic approach to sustainable energy development, clean water, and access to food, which amongst other challenges create security risks.

On a more positive note, due to the sheer population, middle-income countries represent about one third of global GDP and are driving economic factors contributing to the global GDP growth — so we need to ask ourselves: How do we accelerate social, environmental, and business opportunities in Bangladesh, with the challenges which lie ahead?
Our golden goose

Bangladesh is among the top 12 developing countries with a population of over 20 million, with oversix percent growth over the last couple of years. By any standards, our economy has done well.

The key driver behind the success of graduating out of LDC status is the textile and apparel sector. The exports of textiles and garments are the principal source of foreign exchange earnings, and our textile and clothing industry alone provides the single source of growth.

Productivity, which measures efficiency of resources used to produce goods and services, is by far the long-term driver of competitiveness. The new investments in education and skills, machinery, and equipment, physical and technological infrastructure, and innovation (including commercialization) will all contribute to improvement in productivity, competitiveness, and prosperity.

A sound macroeconomic, political, legal, and social context creates the potential for competitiveness, but is not by far sufficient. Movements in exchange rates also will impact the cost structure and relative output price in the short to medium-term. New strategies for the textile and apparel sector and other industries need to be drafted in order to keep the momentum.

Bangladesh does not hold any natural resources that we can export. We do not have world famous brands that we can globally promote. The textile and apparel sector, and thereby the entire nation of Bangladesh, is heavily dependent on the competitiveness of affordable and less skilled labour to keep driving the exports of Bangladesh.

Today Bangladesh is the world's second-largest apparel exporter of Western fast fashion brands, rivalled only by China. In 2017, the RMG industry contributed $28.14 billion to exports, which was 80.7% of the total export earnings for Bangladesh.
Looking ahead

So, what challenges does the textile and apparel industry in Bangladesh envision over the next years that will have a significant impact on the growth of the industry, and more importantly, the growth of the nation?

Increasing cost of business and production is one of the most potent threats to the continued growth scenarios. In recent years, the cost of production has increased by 18%. This alone is a factor to be reckoned with.

If a pair of jeans produced in Bangladesh for a global high street brand was to increase its retail value by 18%, the high street brand would rapidly find new production alternatives in Vietnam, China, Pakistan, and India.

The increase of the minimum wage — which is currently being discussed — will see another rise in the labour cost. This specifically has a negative impact on the textile and apparel sector, where higher salaries are paid compared to a few years back. As a result, the profitability on the product prices has decreased by 40% over the last few years.

When the cost of production is increased by 18%, companies are getting 40% less for the same products they were producing before, which results in a very low profit margin and consequently, textile and apparel companies are losing their profitability on a daily basis.

Source: dhakatribune.com - Apr 02, 2018

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Pakistan: Cotton price remains stable amid demand for better grades

The cotton price stayed firm during the trading session at cotton market. Around 900 bales changed hands. The Karachi Cotton Association (KCA) spot rate remained unchanged at Rs 7,500 per maund.

Buyers made deals for all qualities offered by the ginners during trading session. Deals changed hands at around Rs 6,950 per maund to Rs 7,375 per maund.

Spinners and mills remained quality conscious and made selective deals on slightly higher prices during the session while leading ginners sensing future demand of quality lint offered thin volumes of better stocks on higher prices to the buyers.

The domestic buyers remained eyeing on better grades even on a bit higher price. They bought around 600 bales at Rs 7,550 per maund during the session.

Buyers would remain eager for quality lint on slightly higher price on the back of growing demand of cloth and yarn. Conditions on parts of cottonseed growing areas remained normal for next month sowing.

There was possibility that leading buyers likely to import 25,000 bales of quality cotton in near future for meeting domestic and export demands of end products.

New York Cotton market remained in firm trend and the traders were looking for any good news from Chinese corridors, when they would come and purchase lint to meet their requirements.

Source: dailytimes.com.pk - Apr 03, 2018

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Oman- Construction begins for $300mn cotton yarn plant in Sohar

The construction work has commenced for a major cotton yarn manufacturing project which is being set up by India's ShriVallabh Pittie Group (SVP) with a total investment of US$300mn at Sohar Free Zone.

SV Pittie Sohar Textiles (FZC) LLC had signed a land lease agreement with Sohar Port and Free Zone a few months ago and the company is setting up the first phase of the unit at an investment of US$150mn. Bank Sohar is the finance partner for the project.

The engineering, procurement and construction (EPC) contract for the project has been awarded to the UAE-based company INEXCO Group which has vast experience in this sector, according to a press release.

SV Pittie Sohar Textiles (FZC) LLC is targeting completion of the phase 1 by March 2019 with a capacity of 150,000 spindles and 3,500 rotors.
However, the production is planned to start in a phased manner in 2018 itself.

Chirag Pittie, managing director of SV Pittie Sohar Textiles (FZC) LLC, said their cotton yarn manufacturing project marks the beginning of creating a textile hub in Oman.

The high precision machinery and equipment proposed for the plant will result in the first of its kind state-of-the-art facility in the region.

The automated plant that will also include a well-established training centre is expected to create between 750–1,000 jobs after fully completed.

Source: menafn.com - Apr 02, 2018

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Pakistan: EU's largesse and our exports

Pakistan has been a major beneficiary of the European Union's preferential trading programme for vulnerable developing nations, known as the Generalised System of Preferences Plus (GSP plus).

The scheme grants Pakistani manufacturers tariff-free access to Europe in exchange for implementing reforms on human rights, working conditions, climate change and good governance.

Policymakers in Brussels review the GSP plus programme's progress every two years. Failure to present considerable progress on the preset goals by the EU can lead to the suspension of the special trade regime. In this case, luck has been on Pakistan's side. Despite our uneven report card, we bagged a clean bill of health from the Commission, enabling exporters across the country to enjoy tariff-free access to Europe's market for the next two years.

As a result of the duty-free access and its subsequent extension in the regime, our export growth witnessed an increase of 13 per cent. This unique trading opportunity has been crucial for the health of our exports and products to maintain their competitiveness in the EU market vis-à-vis similar products originating from India, Turkey, Vietnam and China.

Not only that, this preferential trade treatment coupled with the bump in exports has catapulted the EU as Pakistan's largest trade partner. It is important to note that a significant portion of all European imports from the GSP Plus programme come from Pakistan and an overwhelming size of these purchases are textiles and clothing.

But Islamabad has not yet fully exploited the benefits of the special EU trade regime and there is still potential for ramping exports in the textile sector. Therefore, the government must introduce policies and incentives that encourage investment in the sector. This will enable manufacturers across the country to enhance the product lines of exports and reap the maximum benefits of the EU's largesse.

Source: tribune.com.pk - Apr 02, 2018

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Itochu positions Vietnam as textile production hub

Raises stake in Vinatex with eye on Europe

Itochu has increased its ownership of a Vietnam state-owned textile company with an eye toward turning the country into a textile export hub for Europe amid rising labor costs in China.

The Japanese trading house spent about 5 billion yen ($46.9 million) to lift its stake in Vietnam National Textile and Garment Group, or Vinatex, to nearly 15%, becoming the second-largest stakeholder after the Vietnamese government.

The company already had a roughly 5% interest, acquired in 2015. It is rare for a foreign company to own more than 10% of a state enterprise in Vietnam.

Vinatex operates about 200 sewing factories in Vietnam. It invested nearly $200 million over the past three years to add facilities for thread and cloth production. The company now handles everything from material production to sewing.

Since its 2015 investment, Itochu has collaborated with Vinatex on suits, shirts and functional undergarments for cold weather, for instance. It plans to boost production of high-performance apparel in Vietnam and export the output to Japan, Europe and the U.S. Itochu may have Vinatex produce such items as sportswear through collaboration with materials makers.

Itochu exports a little over 60 billion yen worth of apparel from Vietnam a year, with half of that produced by Vinatex. The company aims to increase outsourced production and raise exports to 100 billion yen by 2021.

Vietnam has a free trade agreement with the European Union, and is also participating in the Trans-Pacific Partnership, making it a suitable alternative as a manufacturing hub to China, where labor costs are climbing.

Source: asia.nikkei.com - Apr 02, 2018

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How blue jeans are mounting a comeback in a yoga pants world

Jeans makers have sought to develop increasingly "technical" denim to win over shoppers who demand more stretch and moisture-wicking, integrating fibres such as elastane and lyocell

From Ralph Lauren to Calvin Klein, America's biggest fashion labels are pinning their hopes on a blue jeans revival. Across the industry, fashion brands are renewing their focus on denim, betting the wardrobe staple can be a major sales driver as jeans battle stretchy pants for supremacy from the waist down.

The jeansmaking industry has been just as distressed as the ripped denim of the same name. In recent years, jeans have struggled to beat back more comfortable styles such as leggings and yoga wear. Last year, imports of elastic knit pants surpassed those of jeans for the first time ever, according to the US Census Bureau.

Making things worse, blue jeans styles have been largely stagnant over the past decade, leaving shoppers little to get excited about. Sure, microtrends such as cropped flares and '80s throwbacks pop up here and there, but the skinny jeans has remained the dominant style for more than a decade, with no real threat to its denim dominance.

Yet while Levi Strauss & Co. struggled for years to stave off pressure from stretchy pants, there are signs of a rebound. The jeans maker posted an 8% increase in revenue in 2017, thanks to a significant revamp of its women's jeans. That was its strongest annual growth since 2011.

Meanwhile, luxury labels are helping pull denim out of the doldrums. Downtown streetwear brand Off White's washed jeans drew lots of interest for reworked denim, as did the patchwork jeans styles from Vetements that led the trendy label to collaborate with Levi's.

Jeans makers have sought to develop increasingly "technical" denim to win over shoppers who demand more stretch and moisture-wicking, integrating fibres such as elastane and lyocell.

PVH Corp., which owns Tommy Hilfiger and Calvin Klein, has seen an "incredible improvement" in its jeans businesses worldwide, chief executive officer (CEO) Emanuel Chirico said on a conference call on Thursday.

He attributed the revival to the popularity of '90s style, and PVH is putting its marketing dollars behind it. This January, the company enlisted the bulk of the Kardashian clan—Kim, Khloe, Kourtney, Kendall, and Kylie—in a global ad campaign for Calvin Klein's jeans and underwear lines.

"Clearly, the limited jeans product we have been focused on rolling out is paying huge dividends for us," Chirico said of Calvin Klein's denim sales. "We're feeling really strongly about that business."

Ralph Lauren Corp., in the midst of a bid to regain the brand's onetime cachet, singled out denim as a segment it will refocus on going forward after seeing an 8% spike year-to-date in its jeans sales. Denim represents just 2 or 3% of the company's total revenue, and management said it should be much higher. "Based on recent consumer research, we believe that we have a clear basis to win in this category," CEO Patrice Louvet said in February.

The mass-market labels are on board as well. American Eagle Outfitters Inc. set a record for volume last fall, luring teens into stores with tall walls of denim in hundreds of different silhouettes and washes, from ripped high-waisted "jeggings" to indigo mom jeans.

At J. Crew, denim led its sister brand Madewell to record sales both in stores and online last quarter, executives said. Even as J. Crew's flagship label struggles to get shoppers into its stores, Madewell continues to report double-digit increases in comparative store sales, thanks to jeans.

Gap Inc. CEO Art Peck said earlier this month that he's seeing "very good performance" out of women's denim, too. Gap has even held internal "denim summits" to improve its jeans across all its brands.

Source: bloomberg.com- Apr 03, 2018

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NATIONAL NEWS

Total Rs 17,616 crore of Refunds issued under GST; 90% of IGST eligible claims have been approved.

In line with commitment of government to liquidate all pending GST refunds, the Central Board of Indirect Taxes and Customs (CBIC) has successfully concluded refund fortnight cum special drive from 15th March, 2018 to 31stMarch, 2018.

During the period, all field formations of CBIC worked hardto provide refund relief to the exporters. Special refund cells manned by experienced staff were put in place throughout the country. The exporter awareness campaigns using both print media and social media were carried out so that the benefit can be extended to maximum exporters.

All field formations were tasked to go extra mile in order to facilitate the sanctioning of refunds. The Circulars, Instructions etc were issued by CBIC to clarify the issues which threw new challenges while sanctioning of refunds.

The success of these effortsis visible in the amount of refunds sanctioned during this period. By the end of 31st March,2018 another Rs. 4265 crore IGST refund has been sanctioned in the refund fortnight taking the total tally to Rs. 9604 crore.

Total 2,73,017 Shipping Bills with the payment of IGST have been filed by the exporters till 31st January, 2018. The number of Shipping Bills disposed of till 31st March, 2018 is 2,28,829 which is about 83% of those Shipping Bills filed till January end. The eligible IGST claims transmitted by GSTN to Customs of the period till 31stJanuary, 2018 are of Rs 10,720 crore, out of which Rs 9,604 crore have been sanctioned which is about 89.6% of those eligible claims transmitted by GSTN.

As regards to ITC refunds, Rs. 1,136 crore has been sanctioned during the special drive making the total figure of ITC sanctioned equal to Rs. 5,510 crore by end of this fiscal. As per the latest available data:

- 1,61,325 refund applications have been filed in FORM GST RFD-01A on the common portal, in which an amount of Rs. 17,471crore has been claimed. Of these, 60,183 refund applications are in relation to zero rated supplies, in which an amount of Rs. 14,649crore has been claimed. Taxpayers are required to submit a copy of these RFD-01A application to the jurisdictional tax office, along with all supporting documents.

- However, only 26,620 refund applications (out of 1,61,325 applications) have been actually received in the Central or State tax offices. Of these, 17,734 applications have been disposed off.
- Of the total amount claimed of Rs. 17,471 crores, an amount of Rs. 8,012 crores has already been sanctioned (Rs. 5,510 crore by Centre and Rs. 2,502 crore by States).

Thus, in all, Rs 9,604 crore (IGST refunds), Rs. 5,510 crore (ITC refund by Centre) and Rs 2,502 crore (ITC refund by States) all totalling to Rs 17,616 crore has been sanctioned.

Apart from this, an amount of Rs 16,680 crore duty drawback has been disbursed to exporters during the period from 1.7.2017 to 31.03.2018. An amount of Rs 1,833.25 crore approx. has been disbursed to exporters against RoSL claims during financial year 2017-18.

The momentum gained during this fortnight would be carried on in future. The CBIC is dedicated to sanction all the legitimate refund claims of exporters. The efforts are being made to resolve those issues which are still pending in consultations with GSTN.

Source: pib.nic.in- Apr 02, 2018

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More survey, less jobs

More surveys, less jobs

MAHESH VYAS

Beginning this week the government will launch an ambitious enterprise survey to measure employment in medium, small and micro enterprises. The survey will focus on the unorganised sector, that is, enterprises that employ less than 10 workers. The survey will be conducted by the Labour Bureau and according to media reports it will use the 2013-14 Economic Census as its base. Last April, the government initiated Periodic Labour Force Survey (PLFS), a household survey conducted by the National Sample Survey Organisation (NSSO) to measure unemployment. Results of both surveys are expected by late 2018 or early 2019.

An enterprise survey is conducted to understand the nature of employment. This is in contrast to a household survey that is useful to estimate both employment and unemployment. An enterprise survey is useful to understand the distribution of employment by industry, by type of organisation of employment (public sector, private sector etc.) or nature of employment (part-time, full-time, permanent or temporary).

An enterprise survey cannot provide any estimate of the unemployment rate or the number of unemployed persons, which is our biggest challenge. A measure of the unemployment rate or the number of unemployed persons can only be found by conducting a household survey based on a large and representative sample.

The enterprise survey initiated by the government is not what Niti Aayog's Task Force on Improving Employment Data had proposed. The task force recommended an enterprise survey based on GSTN and a separate survey that covers those enterprises not covered by the GSTN. This is not an Economic Census either. Given that an Economic Census is supposed to be conducted every five years and the last one was done in 2013-14, a new Economic Census is due now. But how does that fit into this survey of the unorganised sector?

The motivation for the new survey reported in the media is that the government hopes to show that employment has increased in the unorganised sector.

There are no announcements yet on releasing regular information based on the Employment Provident Fund Organisation's data. Would the survey of the unorganised sector be a regular feature or would it be another ad hoc effort for some expediency?

Although the PLFS was supposed to produce quarterly unemployment estimates for urban India, it has not announced any plans to do so, even a year after the survey was launched. Maybe, it will release all the quarterly data along with the annual data. That would beat the purpose of creating quarterly estimates. Maybe, the government statistical machinery will improve over time. The official statistical machinery must be strengthened. Ad hoc measures divert attention.

The CMIE-BSE partnership continues to produce high-quality, fast-frequency employment/unemployment statistics. According to this survey which has a sample size that is larger than that deployed by the NSSO, the unemployment rate in urban India in the four quarters of 2017-18 rose steadily — from 4.7 per cent in the first quarter to 5 per cent, then 5.7 per cent and finally 6.6 per cent in the last quarter.

The CMIE-BSE partnership also produces estimates for rural India. Unemployment here has also been rising. It was 3.7 per cent in the first quarter of 2017-18 and then it was 3.6 per cent in the second quarter. Then it rose to 4.4 per cent in the third quarter and finally to 5.4 per cent in the last quarter.

The overall unemployment rate has risen from 4 per cent in the first quarter to 4.1 per cent in the second, 4.9 per cent in the third and then 5.8 per cent in the last quarter. During the last quarter, the unemployment rate increased steadily from 5 per cent in January 2018 to 6.1 per cent in February to 6.3 per cent in March 2018.

The last quarter estimates are preliminary. These will be finalised in the middle of May 2018 to account for non-responses. Historically, these revisions have been small and do not make any material difference to the broad inferences. And the inference is clear — that unemployment is rising and jobs are not.

Preliminary estimations suggest that jobs did not increase during 2017-18 compared to 2016-17.

Popular author Chetan Bhagat reported results of a faster, and a yuppy survey using his Twitter handle. Eighty-seven per cent of the 20,000 respondents said that it was "difficult" to "very difficult" to find a job. And, 61 per cent of the respondents said that they expected anywhere between ₹5,000 and ₹15,000 a month. Chetan takes care to qualify that this is not a scientific survey etc. But the sample size is large enough for more than just a dekko. Where has the aspirational young Indian of 2014 vanished? They sure don't like frying *pakoras* as Chetan wrote last Sunday in *The Times of India*.

The author is managing director and CEO, Centre for Monitoring Indian Economy P Ltd

Source: business-standard.com - Apr 03, 2018

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Power loom weavers plan protests

Over 10,000 power loom weavers, who do job works, plan to stage protests if the District Collectors of Coimbatore and Tirupur do not issue instructions to master weavers on payment of wages according to 2014 agreement. P. Kumarasamy, secretary of the Somanur job working power loom unit owners association, told The Hindu a joint meeting of the job workers' associations in Coimbatore and Tirupur was held on Sunday.

The Joint Commissioner of Labour had earlier assured them that the district administration would hold talks with the job working weavers before April 14. If it did not happen, it was decided on Sunday, the job workers would organise meetings and decide on the next course of action, he said. Mr. Kumarasamy said that since 1990, the master weavers in the two districts and the job workers regularly entered into agreements for uniform payment of wages. A similar agreement was reached in 2014.

However, the agreement was not adhered to and many of the job working units were getting the wages that they received over seven years ago, he said. "There is a demand for job working looms and the weavers have work. But, they do not get the right wages," Mr. Kumarasamy said.

The job workers are also considering legal course of action if the actual wages paid are not revised upwards. In 2014, the new wages were agreed to and in 2015 the master weavers gave an assurance that they would not reduce the wages. But, they had not maintained the assurance.

"We have met the Collectors, MLAs, and the minister. Yet, no one is addressing our grievance," he lamented.

The District Collectors of Coimbatore and Tirupur should immediately issue orders warning action on master weavers who did not pay the 2014 wages, he said.

Source: thehindu.com - Apr 02, 2018

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A skilling crisis, not a jobs crisis: Need to make skilling a key goal towards nation-building

Skills should have been a priority after Independence because an unskilled or unemployed Indian is not a free Indian, and the launch of the Skill India campaign in 2015 seemed a fresh departure from the past.

Taking a historical perspective, the phase 1 of skills in India was largely about a purposeless drift without vision, execution or institutions. In phase 2, while the vision was sound, but the execution was affected by the lack of institutional structures—anybody could say no and nobody could say yes—and the lack of nesting skills into a broader job-creation vision.

And when the Skill India campaign was launched by our current government, it seemed promising because of three reasons. First, it was part of a multipoint agenda for creating jobs. Second, it struck the right balance between continuity and change. And third, it seemed to have struck the right balance between poetry and prose.

It was clear that Skill India was shaped based on the learning of misgivings of the previous two attempts. We have three distinct problems—matching (connecting demand to supply), mismatch (repairing supply for demand) and pipeline (preparing supply for demand). We can't teach kids in three months what they should have learnt in 12 years of schooling. We have witnessed the diminishing returns and value of education where class 12 is the new class 8 and we are not even talking about engineering yet.

We confront a financing failure; employers are not willing to pay for skills nor candidates, but are willing to pay a premium for skilled candidates; candidates are not willing to pay for skills, but willing to pay for a job; and banks and microfinance institutions are not willing to lend for skills unless a job is guaranteed. Young job-seekers are unable to get a job without experience, but it is unclear how they can get experience without a job.

India's firm size distribution—6.3 crore enterprises only translate to 18,500 companies with a paid up capital of more than Rs 10 crore—is a binding constraint for skills because the low productivity enterprises create the vicious circle of being unable to afford the skill wage premium. The massive divergence between real and nominal wages in our 45 job hubs is hindering migration at the bottom of the pyramid.

Finally, college isn't what it used to be, but the social signalling value of a college degree matters; vocational training is usually for other people's children, not your children.

If we fast forward from 2015 (when Skill India got launched) to now, according to various estimates a little over 1 crore people are expected to enter the workforce, but there are only 60 lakh jobs being created. There is, interestingly, no reliable source of each of these data points, and given the crucial juncture we are at, the political rhetoric around job crisis has become such a gotcha game that no one seems to have the time to ask the bigger question, i.e. of the jobs that are still being created, how many of them are being filled?

Nation-building being last on anyone's priority list (the ardent appeals of an unemployed youth to warring political parties in a recent television debate left an eerie after-effect of that) and there is little consensus being built around the huge gap that still remains in this country on skill inadequacy.

India doesn't have a job crisis; we have a wage crisis—everyone who wants a job has a job, just doesn't have the wage they aspire for. The gap can only be resolved through a concerted effort in making Skill India real—that's exactly where the rubber meets the road and changes the life of our youth. We have seen a few affirmative steps have been taken in this direction by the central government, and under the aegis of MSDE, Pradhan Mantri Kaushal Vikas Yojana has been set up to enable youth to take up industry-relevant skills training and improve their employability.

The government has also made available several other skilling initiatives: the National Apprenticeship Training Scheme, Deen Dayal Upadhyaya Grameen Kaushalya Yojana, and National Urban Livelihoods Mission and National Rural Livelihoods Mission. Also, the National Career Service, launched by the ministry of labour and employment, aims to provide job-matching services in a transparent and user-friendly manner.

However, surprisingly, the recent Union Budget speech by finance minister Arun Jaitley seemed muted around the plan ahead for Skill India, besides the notable exception of renewed focus on creating more options for medical students and impetus for higher education (both benefiting the above-average youth).

At the moment, we need to focus on three things: (1) a clear, committed strategy towards making skilling a key goal towards nation-building—we need a sustained goldilocks approach to skilling, rather than oscillating between hot and cold; (2) invite co-participation amidst all political parties to come up with a shared vision and plan around building skills for a resilient future; and (3) create a high decibel awareness that paves the way for the right skills for the right jobs.

India's war on poverty cannot be won without skilling India. We may still not get there, but let's start with what's necessary, then do what is possible, and then suddenly we would be doing what is impossible.

Source: financialexpress.com - Apr 03, 2018

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E-way bill off to a smooth start, says Hasmukh Adhia

The re-introduction of e-way bill under the Goods and Services Tax started off smoothly with both the government and businesses facing no major challenges on the first business day since its launch.

"It has been a very successful rollout. There were no glitches till now," said Finance Secretary Hasmukh Adhia on Monday.

As many as 5.48 lakh e-way bills have been generated. While 2.59 lakh such online tickets were generated on April 1, another 2.89 lakh were generated on Monday.

"On an hourly basis, about 60,000 e-way bills are being generated. We are prepared for a much higher capacity," said AB Pandey, Chairman, GST Network.

As many as 11.18 lakh taxpayers have registered on the e-way bill portal along with 20,057 transporters.

GSTN, along with the National Informatics Centre, has developed the software for the new provision.

The e-way bill, which is an online ticket under the GST for movement of goods costing above ₹50,000, was launched on April 1 for inter-State transport.

Adhia said the e-way bill for intra-State movement of goods will start from April 15.

"We will announce the schedule of States which will start intra-State e-way bills after one week," he said.

The system seemed to face few glitches on the ground level with most businesses seeming positive about the launch.

"A staggered rollout of e-way bill has meant less load on the system…Few filers faced some issues while logging in, but largely the outcome has been fine. We still need to see how the system functions over the next few days," said Archit Guota, Founder & CEO, ClearTax.

Even the logistics industry had few concerns. "The bill will be an effective instrument to track the movement of goods and to keep a check on the tax leakage leading to revenue loss which will result in increased efficiency of business as a whole," PC Sharma, CEO and Whole-Time Director, TCI Express.

Source: thehindubusinessline.com - Apr 02, 2018

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What textile sector saw in FY2018

Rising cotton prices following the pink bollworm infestation in the cotton crops, has affected margins to major textile players by ~150 bps this year.

The textile sector, which contributes ~4% to India's GDP, is one of the largest source of employment generation in the country and it accounts for ~14% of exports

Players like Vardhman Textile Ltd started hedging on Multi Commodity Exchange of India Ltd. (MCX) to cope up with the persistent volatility in cotton prices

The Union Budget 2018 announced to increase MSP prices of Kharif crops to 1.5x of cost of production. However, we do not expect any significant impact of the rise in cotton MSP on the textile industry, as current cotton prices are at the same level.

Cotton prices witnessed volatility of ~19% (annualized) and with physical market size of cotton estimated at around Rs 68,000cr, the cotton industry faced annualized price risk of over Rs13,000cr during FY18

The average USD INR stood at rupees 64.48US$ which is lower by ~3.7% compared to rupees 66.97US$ in FY17. This affected revenues of textile players negatively as for many of them, a major chunk of revenue comes from exports.

In FY18, rupee has seen some appreciation

Factors such as higher cotton prices, rupee appreciation, higher MSP affected the textile industry this year.

Source: yarnsandfibers.com - Apr 02, 2018

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No jobs till economy OK

Sectors where growth is poor are also labour-intensive

Given how key labour-intensive sectors, such as agriculture and exports, have not done too well between FY14 and FY16, it is not surprising no new jobs were being created in the economy during this time. In fact, the KLEMS India database reveals a contraction in the workforce over this period, with about 1.2 million jobs being lost and the total employment down from 483.9 million to 482.7 million.

Ideally, employment should have grown because the economy, as a whole, did. GDP clocked in a fairly good 7.4% in FY15, and an even better 8.4% in FY16. That was thanks to a strong performance from the manufacturing sector, which grew 7.9% in FY15 and 12.8% in FY16, from just 5% in FY13. But clearly, manufacturers didn't hire too many more people—because only an additional 0.3 million jobs were created.

Unfortunately, the agriculture sector, which provides nearly half the total employment, barely grew in either of the years, and actually contracted 0.2% in FY15. Consequently, the number of people employed slipped from 217.6 million in FY14 to 210.1 million in the next year and further to 202.7 million in the subsequent year.

Again, the loss of jobs in the textiles sector—around 0.7 million jobs were lost in the two years between FY14 and FY16—could be partly due to the near collapse of the exports sector, which contracted to $316.5 billion in FY15 and further to $266.4 billion in FY16, from $318.6 billion FY14.

Sector experts have been pointing out exports from labour-intensive sectors have been slower than that of the sector as a whole. Much of this, they say, is due to structural issues, and caution that labour-intensive sectors are becoming less competitive. Over the past year, demonetisation and the delays in refunds, on account of GST, have further hurt exporters.

While the government had, in late 2016, eased some labour laws for the garments segment allowing fixed-period employment, just about 655 units have taken advantage of this, and approximately1.55 lakh jobs have been created. Last month, the government extended the facility of the fixed-period employment to all sectors by amending the Industrial Establishment (Standing Order) 1946. This should make employers more comfortable and result in more hiring. However, the slowdown in sectors, such as construction, which grew just 1.3% in FY17, is not good news because it accounts for around 12-14% of the total employment.

More than 10 million jobs were created in the construction sector in the two years to FY16 although growth decelerated from 4.3 % in 2014-15 to 3.7% in FY16. With real estate slowing down significantly since then, it's unlikely the additional employment would have been significant.

The KLEMS data shows the pace of job creation has decelerated since the early nineties; with an additional12 million people looking to earn a livelihood every year, the economic environment needs to be a lot more friendly.

Source: financialexpress.com- Apr 03, 2018

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Arvind plans to produce 40% of garments in-house

Textile major Arvind is planning to produce 40 per cent of garments in-house, from 10 per cent at present, as it looks to notch up the turnover of its textile business to Rs 10,000 crore in the next five years.

"Presently, about 10 per cent of our fabrics are made into garments internally. We are targeting to grow this to 40 per cent of our production," Aamir Akhtar, chief executive, Denims, Arvind told PTI here.

For this, the company is adding capacity of 1 million meters annually, and expects 1 million garments to be produced internally per month over the next few years, he added.

Akhtar highlighted that Arvind's denims business has about 40 per cent marketshare in the organised denim market at present, registering a 8-10 per cent annual growth.

"The company is looking to increase it to 15 per cent," he said.
The apparel major had earlier said it expects to increase the turnover from its textiles business to Rs 10,000 crore in four to five years, from Rs 6,000 crore at present.

"The company is also looking to expand its capacities in existing units and set up new ones in the next few years," said Akhtar.

Arvind is presently in the process of demerging its branded apparel and engineering businesses, and intends to list its branded apparels business, Arvind Fashions, as a separate entity.

Source: business-standard.com- Apr 03, 2018

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RBI policy review: Monetary Policy Committee is sure to hold the repo rate

Trade frictions might also spill over to capital markets, particularly US Treasury bond holdings

The Monetary Policy Committee (MPC) is sure to hold the repo rate and wait and watch in the current uncertain environment. The global economy is an unusual mix of synchronised growth and rising economic and political uncertainty.

The US Fed is poised to raise rates at least twice more in 2018, with the rising rate gaps between other central banks likely to engender financial volatility, affecting “carry” driven portfolio flows to emerging markets. Trade frictions might also spill over to capital markets, particularly US Treasury bond holdings.

In India, besides the usual anxiety about monsoon rains, an added dimension is the uncertainty on the proposed minimum support price (MSP) mechanism, the cost benchmarks and the outlays required under the alternative scenarios and the models of price support being explored by the Centre and individual state governments. Crude oil prices have again come close to $70 a barrel with geopolitical tensions in West Asia. These developments, together with concern on states’ fisc, suggest that the MPC is likely to remain on an extended pause.

Circumstances might align over the year such that either action is possible. But as of now, at least in FY19, the probability of a rate hike appears to be much lower than for a cut. Why? High frequency indicators suggest that a growth recovery is underway, but very tentatively and with weak legs. A repo rate hike in an environment where market interest rates have already risen by 0.8-1 per cent over the past nine months will severely impede fostering this recovery. The MPC’s statement in February explicitly emphasises this.

On the other hand, the drop in CPI inflation since January ’18 was more rapid than expected, not just due to lower food prices but surprisingly, also because of a lower print on the trend imputed to the notional house rent allowance (HRA) increase of the 7th Pay Commission. This suggests that not many states have started hiking HRA, and even if they begin now, the impact will likely be more diffuse than expected.

Global metals and minerals prices have also taken a hit, due inter alia to growth concerns born of the looming threat of trade wars. Together, this might lead to an inflation trajectory lower than projected by the RBI. Also, there is hope that with better compliance, GST collections will improve in FY19, reducing the fiscal deficit. If the rains are good, that might open up space for some further easing.

Source: business-standard.com- Apr 02, 2018

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Why the US and the world are turning hostile to Indian workers

Increasingly, the world wants to shut the door on Indian professionals, especially the tech workers, who want to work in foreign countries. From today, the US has tightened the process to award H1-B visas.

Given to highly skilled professionals to work in the US, the H1-B visas fuelled the growth of India's information technology companies over more than a decade. Now the visas will turn precious, with unprecedented scrutiny and zero tolerance for even minor errors. In addition to this, all visa applicants will be subjected to extreme social-media vetting.

Earlier in March, the United States Citizenship and Immigration Services had announced that it would temporarily suspend the premium processing for the H-1B visa. The Donald Trump administration recently announced a new measure, making the approval of H-1B visa tougher. Any company will have to make one more clarification to prove that its H-1B employee at a third-party worksite has specific and non-qualifying speciality occupation.

As the globalisation project shrivels due to protectionist tendencies emerging across the world in developed economies, the future abroad for highly skilled Indians is likely to turn bleak.

The US is not the only country averse to Indian tech workers. The UK too had revised its immigration laws. In November 2016, the UK announced its new visa rules which set a higher salary threshold for anyone applying under the Tier 2 intra-company transfer (ICT) category under which Indian tech companies take their workers to the UK.

The anxieties over highly skilled foreign workers express in a variety of ways. Last month, a group of highly skilled Migrants, which represents nearly 1,000 doctors, engineers, IT professionals and teachers from countries outside the European Union (EU), protested against UK Home Office delays and unjustified refusals related to their applications for indefinite leave to remain in Britain.

Indian students once flocked to the UK but now the number has been going down due to concerns over Brexit and protectionist policies. December 2017 statistics for international students from the UK Council for International Student Affairs showed Indian students to the country fell a whopping 44% in the last five years.

Despite the blip of a 10% increase in visas to Indian students in the year ending September 2017 from a year ago, the declining numbers is still causing concern. The increase in 2017 to 14,081, was the first time the figures rose since 2010, when 60,000 Indian students got visas.

Strict student immigration laws since 2011 have seen Indian students looking to other destinations for higher education. The political uncertainty regarding Brexit bolsters the sentiment.

Recently, the Australian government blocked the most popular route Indians took to Australia — the subclass 457 visa category for skilled overseas workers. Instead, a new Temporary Skill Shortage visa has been introduced from March 18. The abolished visa was a big attraction for Indians who wanted to work in Australia.

Of the 90,000-odd holders of this type of visa, 22% were Indians. New visa norms are restrictive and would certainly make it difficult for Indians to find work in Australia. Earlier, New Zealand, another popular destination for Indians looking to work abroad, and Singapore tightened its visa rules.

The visa restrictions will hit career dreams of a large number of Indians. There was a time in India when studying abroad was considered a mark of privilege. But rise of the middle class in has turned that privilege into a common aspiration.

More and more parents now want their children to study abroad. The number of Indian parents wanting their children to study abroad jumped from 47% in 2016 to 62% in 2017, according to an HSBC report on education. A world becoming increasingly hostile to Indian workers means the road ahead for these aspirational young Indians is hard.

Indian parents' top three university destinations for their children are the USA, Australia and the UK — the very countries now trying to block immigrant workers. Though local economic pressures, rising unemployment and cultural issues related to immigrants have led developed countries to tighten visa norms, one reason is perception of Indian professionals as a threat to local jobs.

The world is increasingly resisting Indian tech workers whose hard work for frugal salaries has become a legend. It's a bit of a stretch to see the Indian techies as the new imperialists, but the fear they evoke in the west might be based on what happened nearly a century ago.

With the industrial revolution in the west, India became a big importer of textiles from being a leader in textile exports in a matter of decades — due to cheap mass-manufacture technology. England's cheap machine-made textile goods ruined India's superior but costlier textile industry and a sophisticated banking system that financed it.

Indian tech companies are the new textile mills of Manchester and Lancashire, churning out cheap services with which the local IT services industry in the US cannot compete. While the English mills had a free run in absence of any tariff barriers in India, Indian tech companies face growing restrictions.

Now, Indian IT companies are seeking to overcome the visa-related challenges by setting up new centres in the US, a market that accounts for about 60 per cent of India's IT export basket. Infosys plans to set up four technology and innovation hubs in the US and hire about 10,000 locals there. Wipro has set up a technology centre in Plano, Texas, and plans to ramp up its headcount in the American state to 2,000 over the next few years.

Source: economictimes.com- Apr 02, 2018

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