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An ISO 9001:2015 CERTIFIED COMPANY
The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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NEWS CLIPPINGS

INTERNATIONAL NEWS

MERCOSUR and Singapore – Free Trade Agreement Delayed Due To COVID-19

Singapore and the Southern Common Market of South America (MERCOSUR) have experienced a delay in their FTA negotiations after Argentina announced its decision to withdraw from ongoing negotiations on potential trade deals, saying it needs to focus on the growing economic crisis at home amid the coronavirus pandemic.

MERCOSUR is an economic bloc currently composed of countries in South America (Argentina, Brazil, Paraguay and Uruguay), and has associated members in Chile, Peru, Colombia, Ecuador, Guyana and Suriname. Bolivia is in the process of joining the bloc. Mercosur's collective market is over 260 million people and it has a GDP of US$3.54 trillion.

While lesser known in Asia, the impact of an FTA between MERCOSUR and Singapore proposes to favor trade investments to attract and expand the presence of MERCOSUR in ASEAN with Singapore as the core of the business, while at the same time will stimulate more negotiations and reduce obstacles for Mercusor and Singaporean companies to compete in each other's respective markets.

Singapore has considerable experience with respect to FTA's having a vast knowledge of business transactions and currently has more than twenty wide-ranging trade treaties in force.

It stands out for its tax legislation that does not levy taxes on almost all assets (with exceptions). It does not levy profits taxes upon dividends for example realized externally from Singapore and enjoys a relatively low corporate income tax rate of 17%.

The Southeast Asian country became the first ASEAN member to start negotiating with MERCOSUR. Trade between the two reached US$3.5 billion last year and the upcoming FTA should considerably boost this – but not until the COVID-19 pandemic eases.

The FTA is scheduled to cover issues related to Market Access, Rules of Origin, Micro and Small Enterprises, Phytosanitary Barriers, Safeguard Mechanisms, Trade in Goods and Services, Investments, Simplification in

Negotiations, Intellectual Property, E-Commerce and exchange between Governments.

Source: aseanbriefing.com– Jul 03, 2020

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COVID-19 impact, apparel sales decline across the globe

Though the stalled automotive sector has taken a toll on the global fiber market, declining apparel sales have made it more vulnerable to the ongoing global recession.

Apparel sales in the US declined by almost 63 per cent year-on-year in May this year, following an 87 per cent decline in April. In the EU27, retail sales at specialist textile, apparel, footwear and leather goods stores declined by 55 per cent and 64 per cent in March and April, year-on-year. In Spain, these sales declined by 90 per cent in April, while in Sweden they declined by 38 per cent.

Plummeting sales hit retailers hard. In the US, five national companies with revenues in excess of $22billion in 2019 filed for Chapter 11 bankruptcy by the end of May. And global brands such as Gap and Inditex reported significant operating losses in Q1.

From January to April, the value of apparel imports by the US declined by 19 per cent, year-on-year, and a massive 42 per cent in April alone.

In Europe, apparel imports dropped by around 13 per cent in the first four months of the year, compared with the same period in 2019. In April alone, the decline was 38 per cent year-on-year.

Source: fashionatingworld.com– Jul 03, 2020

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Fabric production an issue for Vietnam's textile industry

Fabric production is a challenge for Vietnam's textile and garment industry when it comes to free trade agreements (FTAs) requirements on product origin.

The import value of fabric and sub-material for the textile and garment industry accounts for 40 per cent of garment export revenue. Of which, 70 per cent of imported fabric was for manufacturing export garments.

Truong Van Cam, deputy chairman of the Vietnam Textile and Apparel Association (Vitas), said stronger links in the industry are needed.

“To take those advantages, the local textile and apparel enterprises must strengthen links among them to focus all sources on manufacturing materials meeting requirements on product origin in FTAs like the EU-Viet Nam Free Trade Agreement (EVFTA), especially fabric for producing export garment products," he told Vietnam News.

Enterprises will have to solve difficulties in the development of the production chain, such as differences in terms of quantity, quality and price of products, for long-term co-operation, Cam said.

The association also proposed the Ministry of Industry and Trade (MoIT) complete a development strategy for Vietnam's textile and garment industry to submit to the Government for approval, he said.

“The strategy needs to focus on the planning of large-scale textile industry. It must have industrial zones with advanced wastewater treatment systems to attract textile and dyeing projects, ” Cam said.

"Meanwhile, local authorities should grant investment licences for dyeing and textile projects because current textile and dyeing technologies are not as polluting as they used to be."

In the past, many localities did not give investment licences for dyeing and textile projects due to fears they would cause environmental pollution but now, the global textile industry has dyeing technology to lessen pollution.

"Therefore, localities need to change the view of textile and dyeing projects to give investment licences for more textile and dyeing projects, supporting the development of the domestic apparel industry," Cam said.

The Government should direct localities to focus on solving difficulties of the textile and garment enterprises so Việt Nam could have enough supply of raw materials meeting origin requirements to enjoy tariff preferences in FTAs.

In addition, the research and development (R&D) activities of textile and apparel industry are limited. Therefore, the State needs more investment in R&D activities to create good conditions for domestic research institutes to develop new products and equipment, he added.

The Mekong-China Strategic Studies Programme (MCSS) report released in Hanoi early this week also pointed out that the domestic textile and garment industry lacks sufficient domestic supply of materials, especially fabric, so it will be difficult to take advantage of tariff cuts in FTAs.

Vietnam has signed 13 FTAs, including 12 FTAs that are effective and one FTA waiting for approval. The nation is negotiating three other FTAs.

The deals bring many advantages in competitiveness for the textile and apparel industry. For instance, tariff rates are between zero and 5 per cent for textile, garment and raw materials.

Meanwhile, according to World Trade Organisation (WTO) regulations, the tariffs are 12 per cent for textile and raw materials and 25 per cent for garment products.

However, Vietnam has only taken a third of the advantages of the FTAs, according to the report.

Vietnam has not yet exploited potential markets that are members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) such as Mexico, New Zealand, Canada and Australia.

Of which, Australia and Canada are two large textile and garment markets with total value of about $10 billion per year, while the market share of Vietnamese textile and garments products in the two markets is worth only about $500 million per year.

The report said Canada is a high potential export market for Vietnam's garment products.

According to the CPTPP, 42.9 per cent of Vietnam garment exports to Canada will enjoy tariffs of zero in the first year and tariffs on the remaining 57.1 per cent will be removed in the fourth year if Vietnamese products meet regulations on the origin of yarn.

Source: thestar.com.my– Jul 03, 2020

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HanesBrands completes production of face masks for US govt

HanesBrands has completed production and distribution of more than 450 million all-cotton cloth face coverings and more than 20 million medical gowns supplied to the US government for use during the COVID-19 pandemic. The company also has introduced various all-cotton, nylon, and polyester blend face masks for consumers under its Hanes and Champion brands.

"We are proud of the commitment of our employees and our ability to quickly pivot to large-scale production of face coverings and face masks to meet important needs during the COVID-19 pandemic," said Michael E Faircloth, HanesBrands' group president, global operations, American casualwear and e-commerce.

"In just three months, we were able to go from never having produced face masks to making more than 450 million government face coverings, designing and developing branded programs of high-quality comfortable nonmedical face masks for consumers, and safely and responsibly reopening operations to support our core innerwear and activewear businesses. We have been able to keep tens of thousands of employees in the United States and across our global supply chain gainfully employed, productive and safe during a crippling pandemic."

Hanes has introduced 3-ply all-cotton face masks in black and white colours for consumers in 5-count and 10-count packages. The comfort features of the reusable and washable face masks include breathable wicking soft cotton fabric and adjustable nosepieces.

Hanes has also introduced lightweight 2-ply seamless face masks. The washable and reusable face masks feature seamless stretch-to-fit construction with comfort ear loops and breathable and wicking nylon-spandex-polyester blend fabric. The face masks manufactured in the company's Arkansas hosiery production plant are available in several colors, including aluminum, royal blue, and blossom, come in 6-count and 60-count pack sizes.

Champion has introduced a lightweight 1-ply polyester-spandex blend face mask in three vibrant graphic-design patterns and colours. The lie-flat masks are available in camouflage, cloud-dye blue, and Champion script logo designs.

Champion plans to introduce two additional face mask styles this summer. In mid-July, Champion will introduce a 2-ply all-cotton face mask featuring X-Temp cooling and wicking fabric. The mask will be available in black, navy and khaki colours.

In August, Champion will introduce a 2-ply cotton-polyester blend face mask featuring adjustable nose piece and X-Temp cooling and wicking fabric. The masks will come in multiple colours and two adult sizes and one youth size.

In addition to the more than 450 million cloth face coverings produced for the US government, HanesBrands designed, developed and produced more than 20 million washable and reusable long-sleeve medical gowns distributed to hospitals and healthcare facilities in need during the COVID-19 pandemic.

Source: fibre2fashion.com– Jul 03, 2020

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Esprit to cut 1200 jobs, close 50 stores in Germany

International fashion house Esprit recently announced it will lay off 1,200 employees—around 20 per cent of its workforce—which comprise 800 store- and 300 non-store staff in Germany and 100 employees in its headquarter Hong Kong. The company, which had closed 56 of its stores in Asia in April, will also close 50 stores in Germany within the next four months.

The company had closed down all its stores in China in early June this year due to falling stocks. In March last year, Esprit had slashed 400 jobs in Germany.

The downsizing is expected to save the Company more than €100 million annually, with creation of exceptional one-off costs of about €55 million. The restructuring plan will be implemented by September, along with the business strategy that was mooted two years ago, according to European fashion media reports.

Esprit quit the Australian and New Zealand markets in 2018, holding on to only the European markets.

Last April, it announced several of its German subsidiaries had applied for Protective Shield Proceedings under German Law. Such proceedings protect companies from creditors' claims for the next months.

Source: fibre2fashion.com– Jul 03, 2020

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Turkey's exports bounce back with 15.8% growth in June, hitting nearly $13.5B

Turkey's exports in June surged by 15.8% year-on-year, while they registered a 35% month-on-month increase, bouncing back from a decline due to the coronavirus pandemic, Trade Minister Ruhsar Pekcan announced Thursday.

Exports in June reached $13.47 billion, Pekcan told Anadolu Agency's (AA) Editor's Desk in the capital Ankara.

Imports also rose 8.2% to $16.3 billion in the same period, Pekcan said.

The export-to-import coverage ratio was 82.6% in June 2020 versus 77.2% in June 2019, she added.

Double-digit sector growth

During the month, the foreign trade deficit rose 17.3% compared to the same month last year, to $2.8 billion, while the foreign trade volume climbed 11.52% to $29.8 billion.

"Looking at the sectors with the highest export growth, there was an increase of 24% in textiles, 20% in iron and steel and 18% in electronics," Pekcan explained.

While the automotive industry stayed on top as Turkey's leading export sector, in June its exports fell 11% year-on-year but rose 80% month-on-month, she added.

Pekcan also said Turkey's highest increase in foreign sales by country came in its exports to the U.K., up 43% in the month compared to the same month in 2019.

It was followed by Iran with a 37% rise, Russia with 34% and China with 19.6%, she said.

In some countries such as Italy and France, Turkey's exports fell in June compared to the same period in 2019, but she noted: "Interestingly, Turkey's exports to these two countries climbed month-on-month."

Exports to Italy and France posted respective rises of 55% and 45% in June compared to May.

Mark in economy, health care

Touting the nation's successes in the face of the pandemic, Pekcan said, "Turkey has distinguished itself in both the economy and health care, sending strong signals of recovery from the crisis thanks to the dedicated work of our exporters, manufacturers and industrialists."

Government measures provided a shield to protect local producers and industrialists, she said.

Pekcan also highlighted the demand for updating the Customs Union between Turkey and the European Union, saying both sides would benefit and business leaders on both sides have long pressed for the change.

On the customs deal, she urged "putting politics on one side and trade and the economy on the other."

Turkish officials and business leaders have long argued that updating the outdated 1995 customs union with the EU would benefit the economies of both sides. Although talks have been stalled as a result of political tensions over the last three years, business circles and officials from both sides have endeavored to maintain dialogue.

Turkey is the only non-EU country that has had a customs union agreement with the bloc, which was agreed on in 1966. In its Dec. 21, 2016, assessment, the EU Commission proposed the modernization of the current deal, which only covers a limited range of industrial products and excludes agriculture, public procurement and services.

On the foreign trade figures, Ismail Gülle, head of the Turkish Exporters' Assembly (TIM), said Turkey's export performance beyond expectations has proven it is a safe haven for global trade.

"We witnessed the positive contribution of public banks and private banks, especially (Türk) Eximbank, to exporters in June, in all sectors," he noted. This cooperation carries great importance for offering low-interest loans to exporters and positive discrimination for female exporters, he said. The country's June export figures reflect this great effort, he said.

Source: dailysabah.com– Jul 03, 2020

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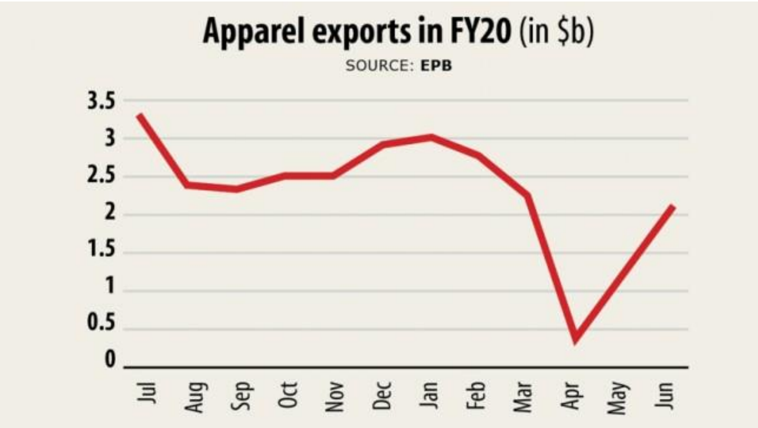
Bangladesh: Pandemic downs garment shipments to a decade-low

The unprecedented coronavirus pandemic has put a scar in apparel shipments as earnings from the country's main export item in the immediate past fiscal year fell significantly compared to anytime in the past decade.



The earnings declined 18.45 per cent year-on-year to $27.83 billion in the outgoing fiscal year.

This is $6.3 billion less than that of fiscal 2018-19 and falls $10.37 billion short of the target set for fiscal 2019-20.

The target for the immediate past fiscal year was $38.20 billion. Bangladesh exported $34.13 billion-worth apparel in fiscal 2018-19.

But, things are looking up.

In June, the final month of the immediate past fiscal year, the earnings were $2.12 billion, according to data from the Export Promotion Bureau, customs and Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

June's earnings were 11.43 per cent lower than a year earlier but up 72.4 per cent from the previous month. The sector experienced a historic low in shipments in April this year. Earnings from the garments sector reached only $0.37 billion, the lowest receipt since the sector started taking shape four decades ago.

Bangladesh's garment export of $34.13 billion in fiscal 2018-19 was 11.49 per cent higher than the preceding year.

The compound annual growth rate of apparel exports during the past five years was 6.86 per cent. The rate is even higher for the past 10 years at 10.70 per cent.

The receipts from apparel, which typically makes up 84 per cent of national exports, was lower mainly because of two reasons fuelled by the pandemic coronavirus. Primarily, thousands of retail stores were shut in the Western world and secondly, factories were shut in Bangladesh due to coronavirus.

However, the retailers in Europe and the US started reopening their stores from May. As a result, garment shipments and production in the local factories are rebounding gradually.

A quarter-wise analysis of export performance reveals that the industry was already distressed with many challenges including an increase in the cost of production and stronger currency exchange rate, according to BGMEA President Rubana Huq.

The decline in export during the fiscal year in actual amount is $6.6 billion, which is around one-fifth of what Bangladesh exported last year. A closer look reveals that of the $6.6 billion, $1 billion worth of export was lost in the first half of the year and the remaining $5.6 billion in the latter half.

"We lost $4.8 billion worth of export just in three months, i.e. April-June 2020. This shows the severity of the COVID's impact on the industry," Huq said.

According to global projections and forecasts by industry insiders, currently, the factories have orders equivalent to 55 per cent of their capacities on an average, which is expected to pick up a bit by the year's end, that is by 70 per cent of the capacity by December 2020.

A long-term prediction may not be pragmatic in this volatile situation. Yet, it can be hoped that as much as 80 per cent of regular exports may be regained towards the middle of 2021.

However, concerns remain over the fact that factories are still struggling with cash flow and credit, with the amount of resulting unsettled liability/payables assumed to be about $1.9 billion.

Since March, 179 factories were forced to shut down and more may follow the trail, Huq told The Daily Star.

Garment exports started rebounding because of the reopening of the economies in Europe and the US, said Ahsan H Mansur, executive director of Policy Research Institute (PRI).

However, some reforms are needed in the garment sector and the BGMEA has been trying to bring those about, he said.

For instance, Bangladesh is much too dependent on cotton fibre-based garment items and needs to make garment items from manmade fibres.

Only five basic items comprise nearly 80 per cent of the exports and at least 50 such items should be developed, he said.

Mansur, who is also a former economist of the International Monetary Fund, also suggested grabbing more export destinations in Asia, Central Asia and Latin America along with Europe and the US.

Source: thedailystar.net – Jul 03, 2020

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NATIONAL NEWS

June exports data to reflect faster recovery: Piyush Goyal

The country's exports, after contracting drastically in April and May due to the COVID-19 pandemic, are "recovering fast" and it will be reflected in the data for June, Commerce and Industry Minister Piyush Goyal said on Friday.

Addressing export promotion councils through video conferencing, the minister said the June data will reflect the gains, "with the merchandise export figures touching almost 88% of the corresponding period last year." Most of the markets abroad have not been able to make such a "remarkable" comeback, he said, adding imports are still far behind.

"The exports, after setbacks in the first two months of this financial year due to COVID-19, are recovering fast, as the unlock process gains and the economic activity makes a revival," he said.

Trade data for June will be released on July 15.

He also said that as Unlock 2.0 has come with more permissions, it is expected that things will further improve. The minister called upon the industry to shun over-dependence on imports and certain geographies, as this leads to dire consequences in the long-term.

He exhorted them to make in India, use indigenous resources and skilled manpower, produce quality products, and use the economies of scale to deliver affordable products.

Contracting for the third straight month, India's exports declined 36.47 per cent in May to $19.05 billion, mainly on account of drop in shipments by key sectors such as petroleum, textiles, engineering, gems and jewellery.

Imports too plunged 51% to $22.2 billion in May, leaving a trade deficit of $3.15 billion, compared to $15.36 billion in the same month of the previous year, according to commerce ministry data.

Source: livemint.com– Jul 03, 2020

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Piyush Goyal lauds role of Exporters, holds meeting with EPCs

The Minister of Commerce and Industry Piyush Goyal on Friday held video conference meeting with office-bearers of Export Promotion Councils (EPCs), to discuss and address the issues of exporters.

Goyal said that the Exports, after setbacks in the first two months of this financial year due to Covid-19, are recovering fast, as the Unlock process gains and the economic activity makes a revival.

He said that the data of June, 2020 reflects the gains, with the merchandise export figures touching almost 88 per cent of the corresponding period last year. He lauded the role of exporters for attaining the feat in such a short time.

On the issue of imports, the Minister said that they are still far behind and this is a good thing.

Goyal said that as the Unlock 2.0 has come with more permissions and relaxations, it is expected that things will further improve in the future.

"The participants thanked the minister and Officers for playing a pro-active role and whole-hearted support during the pandemic time, which helped them make a turnaround in shortest possible time.

However, many of them said that there are still certain issues, requiring intervention and support of the Government. They expressed their full support to the Government's Aatamnirbhar Bharat Abhiyan," read the press-release.

Source: aninews.in– Jul 03, 2020

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Indian garment industry could suffer due to import ban on Chinese goods: Report

The garment industry could suffer severe repercussions if India's unofficial ban on Chinese imports continues. Items such as machines parts, buttons, sewing machines, metal accessories and spares are largely imported from the neighbour and manufacturers are awaiting consignments.

Case in point: Garment hub Tirupur is dependent on China for 90 percent of 'crucial accessories' such as sewing machines, fasteners, needle lapel pins, buttons and textiles, Raja Shanmugam, President of the Tirupur Exporter Association told The Economic Times.

Shanmugam pointed out that tonnes of goods are stuck at entry points such as ports, and unless manufacturers are able to source alternatives from other markets within time and at a similar cost, the logjam "could hurt the industry".

"Pre-paid orders of around 500-600 containers are stuck at ports. Close to 15-20 percent of our export clients prefer procuring those accessories from China, for the sake of uniformity and price," Raja added.

As per insiders, while alternatives for some items are available, others are made only in China. For example, textiles can be alternatively sourced from Turkey, Vietnam, Thailand or Taiwan; but machine spares are available only from China.

The apparel sector, which exports for foreign brands are also up in arms as orders are being delayed sue to hold up of accessories at ports. One manufacturer said branding tags and materials, zippers and special buttons for international brands are among the items produced and shipped in from China, but these are now being held up.

Pricing is also among the major factors. RK Hosiery's Roop Kumar told the paper, "China is the cheapest. We are dependent on China from a small needle to fabric glues." He however, added that these materials can be produced in India – with "enormous support from the government."

India launched an unofficial import ban on Chinese goods and products after soldiers from both countries clashed along the Line of Actual Control (LAC) in Ladakh, leading to the death of 20 Indian Army personnel.

All items coming in from China are now subject to 100 percent manual checks by the Customs Department at points of entry such as ports and airports – the exception being goods ordered by US and South Korean companies.

Source: moneycontrol.com– Jul 03, 2020

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Indo-Bangla trade stalled as traders across the border agitate

They demand India, which has stopped their trucks due to Covid-19 concerns, allow their trucks to move here

India-Bangaldesh trade along Petrapole, the largest land port in Asia, has come to a grinding halt over the last couple of days, following an agitation by traders, clearings agents and workers across the border demanding India open up the port for imports from Bangladesh.

The problem which began on July 1 has seen at least 800-odd trucks pile-up on the Indian side of the land port. On the Bangladeshi side, called Benapole, at least 500 vehicles are queued-up.

Demand to allow imports

On a normal day, 500-550 trucks cross the border from the Indian side and about 100-150 come from Bangladesh. Sources say, traders and clearing agents on the Bangladeshi side, are upset that only trucks from India are being allowed; whereas truck movements from Bangladesh to India are not being allowed.

Covid-19 concerns

Local authority level clearances - for example at the SDO or district administration level – have not yet been given by the West Bengal government over fear of spread of coronavirus into the nearby villages. Hence, import vehicles from Bangladesh are not being allowed, sources say. "We have not allowed any truck to enter Benapole. This will continue until India resumes import of our goods," Benapole C&F Agents Staff Association Secretary Sajidur Rehman has been quoted in Bangladeshi media.

Clearing and forward agents on the Indian side confirm that there has been no trade for two days now. On July 1, some trucks managed to move to Bangladesh. But they have been stuck with workers refusing to load or unload them. Although Friday, is weekly holiday in Bangaldesh, entry and exit register of vehicles are maintained at the land ports. No such activity was carried out.

Some trucks have been diverted to the Gojadanga land port, another smaller land port nearby, to prevent congestion.

State government

According to Karthik Chakraborty, Secretary, Petrapole Clearing Agents' Staff Welfare Association, district administration authorities have been apprised of the matter.

Intervention has also been sought of the state government to resolve the impasse.

We are taking necessary precautions too. The local administration has been apprised and we are awaiting their intervention to resolve this," he told BusinessLine.

Despite repeated attempts, Jyotipriyo Mallick, West Bengal's Food and Supplies Minister and in-charge of the North 24 Parganas district, was "not reachable". West Bengal Chief Secretary Rajiva Sinha, did not respond to messages either.

This is the second time since the lockdown that trade along the India-Bangladesh border came to a standstill.

Source: thehindubusinessline.com– Jul 03, 2020

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Cargo volumes decline 14.64 per cent to 49 mt at 12 major ports in June

Cargo volumes handled at India's dozen state-owned ports fell 14.64 per cent in June to 49.053 million tonnes (mt) from 57.466 mt last year.

Except for Mormugao Port Trust and V O Chidambaranar Port Trust, all the other port trusts reported a drop in volumes in June, compared to the same period last year.

The 12 ports handled a combined 6,40,000 twenty-foot equivalent units (TEUs) in June from 8,38,000 TEUs in June 2019, according to the Shipping Ministry.

Jawaharlal Nehru Port Trust (JNPT), India's biggest container port, handled 2,89,292 TEUs from 4,10,000 TEUs in June last year. Overall, JNPT handled 4.071 mt, a drop of 27.64 per cent from the 5.626 mt handled in June 2019.

In rail operations, JNPT handled a record 511 rakes, overtaking the previous highest monthly handling of 499 rakes in May 2020.

Also, the average rail coefficient of the first quarter of FY21 increased to 23.40 per cent, an improvement of 46 per cent, as compared to 16.04 per cent during June last year. To facilitate faster evacuation, JNPT handled 106 trains in the lockdown period to ICD Mulund as per extended gate facility, carrying 6,957 TEUS.

Cargo volumes at Chennai Port Trust dropped 30.94 per cent, the most among the 12 ports, to 2.721 mt from 3.940 mt during the same month last year.

Source: thehindubusinessline.com– Jul 03, 2020

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Boycott China effect? DPIIT meeting with e-commerce firms on mentioning 'country of origin' on each product likely on July 8

The DPIIT is likely to hold its second meeting on July 8 with e-commerce companies on the issues of mentioning 'country of origin' on each product sold through their platforms, according to sources.

The issue was first discussed in detail on June 24 between officials of the Department for Promotion of Industry and Internal Trade (DPIIT) and representatives of e-commerce companies, including Amazon, Flipkart, Snapdeal, Tata Cliq, Paytm, Udaan and Pepperfry.

E-commerce companies' views were sought on this issue and it was decided to hold the second meeting this month, sources said. A company source has stated there was no disconnect with the idea, but the firms have to check with their technology teams to figure out how long it will take to get this done.

The development comes against the backdrop of calls to boycott Chinese goods following border clashes between India and China in Ladakh. The government procurement portal GeM has made it mandatory for suppliers/sellers to specify the country of origin while registering new products on the portal.

Mentioning the country of origin would help buyers take an informed decision while purchasing the item. The companies have suggested to the department to also take sellers' views on the matter as compliance would be needed from their side as well.

Domestic traders' body CAIT has demanded making it mandatory for e-commerce firms to mention the 'country of origin' on each product sold on their platforms.

Source: financialexpress.com– Jul 03, 2020

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Apparel, restaurants, footwear among retail to take a hit by COVID

COVID-19 will have an impact across the board on discretionary categories in the retail sector as limited social interactions and increased WFH trends may hit apparel, quick service restaurants (QSR) and footwear players.

Slow demand recovery will aggravate cost pain for companies. Strong growth case built on both store expansion and will pause. Over a longer period, industry consolidation will benefit stronger players though COVID could potentially wipe out next 2 years' earnings growth.

The report said macro pain would aggravate post COVID. Consumption growth had started to slow down even pre-COVID. While job creation was slow, increase in credit (cards, personal loans) supported consumption. Banks have already started to cut credit card limits and lifestyle spends accounted for 12 percent of overall credit card spends.

Pay cuts and job losses have accelerated and retail credit availability has been squeezed. Cost cutting and broader slowdown will also impact various SMEs and self-employed. In addition, the 10 cities accounting for 50 percent of revenues are slowest to recover, delaying recovery and pain.

COVID will have an impact across the board on the retail sector. The impact on various discretionary categories may not be very different as limited social interactions and increased WFH trends may hit apparel, QSR and footwear players, the report said.

The ability to cater to limited footfalls in peak hours due to social distancing would also hit throughput for DMart and PVR. "We expect 1QFY21 to be largely a washout with gradual recovery from 2HFY21; absolute revenue growth to be weak until 2HFY22," it said.

The higher costs of sanitization and staggered store timings would increase operational cost. Cut in rentals and employee and other costs may not be good enough to turn green in FY21. Slower store rollouts and even slower retail space developments would hurt medium-term growth, the report said.

Consumer confidence index is at decade low. Spending on grocery has increased the most while lifestyle/ apparel have been worst affected.

Consumer debt on credit cards has grown at 29 per cent CAGR over FY15-20, the report said.

Between June and December 2020, as cities get opened up gradually, while there may be initial spike in consumption due to pentup demand, but would gradually subside as number of corona cases spike up meaningfully, the report said.

The consumer mood may remain gloomy as SMEs businessmen and white collar professionals both continue to face risks to their earnings. Until Corona vaccine comes in (unlikely before 1HCY21), footfalls may remain muted delaying oxygen to severely critical retailers.

Source: indiaretailing.com– Jul 03, 2020

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‘Provide interest-free loans to MSMEs for five years’

The president of Amritsar Textile Processor Association, Krishan Kumar Sharma, who is the managing director of SG Group of Companies, a diverse groups with interests in real estate, textile processing and hospitality sectors, shares his views on the affect of the lockdown on the businesses in an interview with Neeraj Bagga. Sharma, who is the president of the local chapter of Confederation of Real Estate Developers Association of India, stresses the need to take care of migrants and bring them back to eliminate the shortage of labourers. Excerpts:

How has the lockdown affected your businesses?

The textile, real estate and hospitality arms of our business have been lying shut since the lockdown.

Do you expect any of your businesses to start running in the near future?

The resumption of our businesses is not expected in the near future as labourers are not available. Most of them are migrants who have already left for their native places. We are also facing a financial crunch as payments from outstation traders, who were given supplies before the Covid-19 pandemic, are not forthcoming.

Have you paid salaries to your workers during the lockdown?

Although we have no funds to release salaries, we have been paying the labourers by taking loans and selling our stock at low rates.

What is the share of online trading in your profession?

The share of online trading in our profession, except hospitality, stands at five to 10 per cent.

What lessons have you learnt from the lockdown as a businessman?

I have learnt that survival is more important than double digit growth. There is no alternative to liquidity. Entrepreneurs must have reserve of it apart from the one in working capital to support the business in case of any such situation.

How do you take the current crises — a challenge or an opportunity?

I consider the current crises as a challenge. The demand will return only when the pandemic abates.

What are your expectations from the government?

Migrant labourers should be brought back by providing free transport to enable the businesses to resume functioning in full swing. Rent-free accommodation must be provided to them. Interest-free loan up to Rs5 crore must be provided to MSMEs for a period of one year and thereafter the interest charged must be five per cent.

Electricity rates must be reduced by up to 50 per cent and the power bills for the lockdown be waived off. PF contribution of both employees and employers be deposited by the government till March 31, 2021.

Source: tribuneindia.com– Jul 04, 2020

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Getting money to the SMEs: Banks have replaced the development finance institutions, but without the necessary skill sets

In the background of a core sector output shrinkage of 23% in May, a huge fall in employment, Rs 8 trillion loans under moratorium, and the urgent need to revive employment through economic activity regeneration, the monetary and credit policy measures announced need faster delivery. While these are targeted at the revival of the SME sector, policies for large borrowers are under design and need to be issued quickly. There is also a need to formulate measures for borrowers who had a good track record up to March 2019, but not on the cutoff date of February 1. Business cycles do not convert you into a bad manager. The national objective is to recharge the animal spirits, and, the government should energise such managers also.

The new SME credit flow measures urgently need five supportive pillars:

- Fast implementation of a liberal fund of funds under proactive professional management, with skin in the game.
- The government-guaranteed debt of 20% should be considered as quasi-equity, and not debt. RBI can issue a diktat for this, valid up to March 31, 2023, for calculating ratios for internal credit appraisal
- Urgent review of NPA criteria as also a temporary reduction in core capital requirement both for working capital and fixed assets
- Liberalisation of the criteria for internal credit rating up to March 31, 2023.
- A monitoring officer in each city to review delay in credit sanction or refusal, and passing of interest reduction.

RBI must expeditiously design measures for special situations or authorise the banks to do so. If, say, a company with a good track record gets a spike in orders due to a large new EPC contract or an export supply contract. It has adequate net worth for existing business, but not for the new opportunity. Here, the cash flow combined with past performance and not capital contribution alone should be the criteria. Different sections of large plants, road construction, building construction, are excellent examples of EPC work. Funds are tied up in bid bonds guarantees, etc. Such measures will create growth tigers and turnaround the nations idle assets.

The first pillar, viz the fund of funds (FOF) can be a long-term game-changer as a source of equity or quasi-equity for growth of the SME sector. Immediate attention needs to be given for its effective result-oriented functioning in a short time. The government can persuade, at least four successful VC funds (preferably promoted by banks) to contribute capital directly or indirectly, and, more importantly, to take part in the operations committee.

Each bank should effectively identify their SME clients with a good track record prior to Covid and encourage them to turnaround or grow with FOF support. And, in turn, lend more credit! A win-win situation for all and especially the nation. The FOF should also seek out investees on its own. The officers of FOF should not be tied down to government pay scales but incentivised on results even if they are on bank deputation or are laterally appointed. Only professionalism will make it succeed.

Innovation in investment instruments will be the key, including non-voting equity, participating preference shares, convertible loans. Many promoters may not be in a position to dilute equity initially.

RBI should consider these as core equity for ratio calculations for three years. They would also have to address the design of fund instruments for the partnership firms and sole proprietary concerns.

The second pillar is recreating SMEs capacity to borrow. The large sector has lost Rs 2,600 crore in March quarter. The SME losses will be at least double of this by the September quarter; cash flow will suffer heavily from delayed customer payments.

RBI deserves full praise for progressively imposing financial discipline in the past. Two major limbs were that borrowers should contribute 25% of working capital and 40% of term loans from net worth funds. The March to September losses will sharply reduce the net worth funds, negativate ratio compliances, thus, impacting capacity to utilise sanctioned loans resulting in lower production capacity utilisation. The financial ratios of March 31, 2021, will also reflect fall in performance. The situation will worsen, especially if the government guaranteed loans are counted as debt. Revision in measures needs to be planned now so that borrowers know compliance targets.

As per the third and fourth pillars, RBI must urgently review criteria for declaring a borrower as NPA if he was regular up to the cutoff date; bring in a scheme to convert the overdrawing due to Covid up to September 30, into a working capital term loan with moratorium up to March 31, 2021. For regular loans, it must liberalise its stringent criteria for internal loans for the periods from FY20 to FY23, and thereafter restore status quo ante.

Where the central government has guaranteed loan repayment, for four years such loans should be counted as quasi-equity and not as debt by an RBI diktat. They are more secure than mortgages on co-assets. It must reduce the net worth contribution of working capital from 25% to 15% by the end of FY21, and then to 20% by FY22. Purchase of modernisation or balancing plant contribution should be reduced to 15% with a higher debt-equity ratio of 2:1 for investments up to FY23. This will lead to better productivity and quality up-gradation. Most importantly, these ratio adjustments will keep the borrowers in the lower interest bracket on their existing loans. Also, these will be crucial contributors to export competitiveness and lower inflation.

The fifth pillar is aimed at efficacious implementation of the new policy and of interest rate cuts. We now have five large public sector banks whose staff, at branch levels, will deliver better if monitored. An effective senior officer with industrial credit background should be appointed in each city only to review cases of refusal or of delay beyond thirty days in loans sanction or in passing down rate cut benefits. He should also act as an ombudsman for the borrower.
Lastly, the banking sector urgently needs to build and train a separate cadre which specialises in manufacturing sector loan appraisals. These banks have replaced the DFI, ie, development finance institutions, but without the necessary skill sets.

I sincerely believe the above pillars, together with a revival of demand, will lead to faster turnaround and most importantly build the “Asian Tigers”. Agriculture has been a saving grace, good monsoons are predicted. Hence, thrust on the revival of manufacturing together with a policy thrust on special sectors like trade, tourism, travel hotels, construction and real estate will be the key.

Source: financialexpress.com– Jul 03, 2020

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Chinese app ban may hinder business communication

The ban on Chinese apps will make it difficult for Indian exporters to strike contract deals with China as they use these apps for business communication, especially since the Chinese government forbids alternatives such as WhatsApp, Google and Facebook, said industry executives.

Traders use WeChat, Mi Video and QQ Mail, which figure in India's negative list, to do business with China. Translated texts, pictures and videos shared through these apps helped traders from both the countries share documents, send pictures of consignments and overcome language barriers.

India's cotton and cotton yarn exporters are worried because China absorbs a quarter of the shipments of these products from the country. Bangladesh is the biggest consumer for Indian cotton, followed by China, Vietnam and Indonesia. Some traders fear that China may increase import duties on Indian products.

"The sudden ban on the mobile apps is going to impact the cotton and cotton yarn export business in the short term. WeChat and QQ have become the lifeline for both Indian and Chinese businessmen to connect," said Vivek Kaushal, senior general manager (marketing and purchase), DCM Nouvelle Limited. "No one has the time to write a mail in English, so the entire business transaction from taking orders, transferring letters of credit to even addressing complaints was on the mobile app."

He said the app also translated English text messages in Chinese and vice versa.

Importers of agricultural commodities from China are also worried. Traders said they would have to look for alternatives for communication with Chinese parties.

"Through the video calls I could see the various stages of the crops that I was going to procure. The interactions with farmers and traders brought clarity on the crop position and pricing. We will now have to look at another app," said rajma importer Pradeep Kumar Runwal of Bherulal Radheshyam Bhandari.

Almost 50% of the rajma consumed in India comes from China.

Confederation of Indian Textile Industry chairman, T Rajkumar said there will be a small disruption due to the ban on the mobile apps but the situation will improve. “The business will look at other ways to communicate like e-mails and this will be a temporary disruption in business. Moreover, exports of cotton and yarn to China have gradually been slowing down and it’s time we look at new markets in Korea and Taiwan,” he said.

China has increased its purchase of cotton from the United States after the phase one trade deal it signed earlier this year.

Fears of higher import duty in China have added to the uncertainty.

“We don’t expect any business transaction for the next 15 days due to the uncertainty. People are concerned about China increasing the import duty,” said Mahesh Sharda, president of Indian Cotton Association.

Buyers are looking for discounts, and prices have fallen 2% in the past one week for export quality yarn, said Sharda. Prices can come down 3-5% if the stand-off continues, he said.

According to industry estimates, India exported 257 million kg of cotton yarn to China in 2019-20, which was 27% of the total exports of the commodity. In the October 2019-September 2020 season, 3.5 million bales of cotton, or 21% of the total, have been exported to China. Each bale equals 170 kg.

Source: economictimes.com– Jul 03, 2020

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