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INTERNATIONAL NEWS

'Don't expect to become the next Uniqlo' without China-focused expansion strategies, Bossini says

Hong Kong clothing entrepreneurs, who created household brands like Bossini, G2000 and Giordano in the 1980s, may have limited room to further grow their business at home – unless they look for partnerships in mainland China as a springboard to international market.

That is the view of Bosco Law Ching-kit, who teamed up with Chinese gymnastic icon Li Ning to take control of Hong Kong-listed Bossini International Holdings earlier this year in an effort to revive the family-owned business after losses deepened due to a slump in tourist arrivals and a recession.

"When you think about expanding into the international market, you have to think about China. It is the biggest market in the world, and the one that will grow the most in the future," he said in an interview. "If you position yourself as a local brand, then you only need to focus on the Hong Kong market. You can survive on your own, but don't expect to become the next Uniqlo."

Uniqlo is synonymous with Fast Retailing Co, Asia's largest apparel manufacturer with 2.3 trillion yen (US$21.7 billion) of sales in 2019. It was founded by Japan's richest billionaire Tadashi Yanai in the 1960s, some two decades ahead of some of Hong Kong's most-recognised home-grown labels in the industry.

Law and Viva China formed a 20:80 joint venture company which bought a 66.6 per cent stake in Bossini from his uncle in July in a deal that valued the Hong Kong company at HK$70 million. Bossini was founded by his late grandfather Law Ting-pong in 1987.

The local textile industry has not been spared of steep losses following the Covid-19 outbreak this year. An index tracking the sector slumped 49 per cent in the first eight months this year, according to government statistics. In wearing apparel, sales crashed to HK$17 billion in the period versus HK$33.4 billion a year earlier.

Bossini recorded a net loss of HK$367.7 million for the 12 months to June 2020. It suffered a combined HK$168 million of losses in the two preceding financial years, prompting efforts to revamp the business.
Click here for more details

Source: scmp.com– Oct 04, 2020

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Indonesia initiates safeguard probe of RMG import

If duty imposed, Bangladesh apparel export would be hurt

Indonesia has initiated a safeguard investigation regarding its import of apparel products that may negatively affect Bangladesh's export of the products to the Southeast Asian country.

Indonesian Safeguards Committee of the ministry of trade on Friday notified the issue to the World Trade Organisation.

The committee said that it initiated the investigation regarding the import of the articles of apparel and clothing accessories following an application from the Indonesia Textile Association for a safeguard measures against the import of the products.

The move, though not any country-specific, came at a time when both Bangladesh and Indonesia are in negotiations to enter into a preferential trade agreement (PTA).

The next round of negotiations will be held in October 21-22. The two countries are scheduled to hold meeting today on the rules of origin issue for the PTA.

The latest development may affect the negotiation process as well as Bangladesh's export to the country if Indonesia finally imposes any safeguard duty after the investigation is completed, trade experts and exporters said.

Bangladesh in the last fiscal year 2019-2020 exported readymade garment products worth $27.91 million to Indonesia, which is more than 54 per cent of the country's total export of worth $51.42 million to Indonesia.

Of the $27.91 million, the value of knitwear products export was $14.48 million and the amount of woven export was $13.44 million, according to Export Promotion Bureau data.

According to the WTO, a safeguard investigation seeks to determine whether increased imports of a product are causing, or is threatening to cause, serious injury to a domestic industry.

During a safeguard investigation, importers, exporters and other interested parties may present evidences and views and respond to the presentations of other parties, it stated.

A WTO member may take a safeguard action such as the restricting of imports of a product temporarily only if the increased imports of the product are found to be causing, or threatening to cause, serious injury to the local producers, according to the WTO.

Evaluating the application of the association, Indonesia in its notification said that there was a sufficient evidence to justify the initiation of a safeguard investigation.

The products that fall under the investigation include overcoats, suits, shirts, blouses, t-shirts, singlets and other vests, jerseys, pullovers, cardigans, babies' garments and clothing accessories, other made up clothing or parts of garments, jackets, blazers, trousers and some other items.

A senior trade official on Sunday told New Age that though the safeguard investigation was not any country-specific move, it would create trouble in the PTA negotiation process.

There is no provision in the draft PTA of excluding Bangladeshi products from such types of duties, he said.

Signing a PTA will not bring any expected outcome for Bangladesh if such duty is imposed as RMG products dominates the Bangladesh's export to Indonesia, he said.

The commerce ministry and the Bangladesh Trade and Tariff Commission will work on the issue, he added.

Replying to a question whether Bangladesh's apparel export would be affected if Indonesia imposes safeguard duty after investigation, Bangladesh Garment Manufacturers and Exporters Association Rubana Huq said, 'Every bit counts.'

She said that it was important to have the ASEAN as a market, which is projected to grow into the 4th largest economy by 2030.

It is also important to explore fashion wear suited for the Muslim population in Indonesia, she said.

So, for the sake of both market and diversification, Bangladesh should not lose focus on the ASEAN market, she added.

According to the Indonesian notification, stakeholders having substantial interests and interested parties in this investigation should submit written request within 15 days from the date of initiation October 1.

Source: newagebd.net– Oct 04, 2020

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Turkey exports hit all time high in September

Turkey's exports hit an all-time high in September export figures -- $16.01 billion. The country's exports rose by 4.8 per cent on a yearly basis and 28.5 per cent on a monthly basis in September. Its exports also climbed by 34.5 per cent in the third quarter of this year from the previous quarter.

Meanwhile, the country's imports in September totaled $20.89 billion, with an overwhelming 89.3 per cent made up of raw material and capital goods, she said.

In the first nine months of this year, Turkey's exports totaled $118.35 billion and imports $156.24 billion. In September, the export/import covering ratio -- excluding gold imports -- was around 90.9 per cent, and it was 84.4 per cent in the first nine months

Apparel exports posted 15 per cent rise to reach $1.6 billion in September, while textile rose by 12.8 per cent to $1.1 billion, chemicals by 19.4 per cent to $1.1 billion and machinery by 4.8 per cent to $2.1 billion.

The country's exports to France rose by 12.8 per cent, while Germany rose by 10.6 per cent, UK by 3.2 per cent and Spain by 2.3 per cent followed it in September.

Source: fashionatingworld.com– Oct 03, 2020

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Vietnam: Garment, textile enterprises struggle to wait for orders

Garment and textile enterprises operate perfunctorily

According to the forecast and analysis from the Vietnam Textile and Apparel Association (Vitas), the garment and textile industry will recover and flourish in the fourth quarter of this year at the latest. Many garment and textile enterprises expect the market to grow again in the third and fourth quarters.

However, visiting garment enterprises during this time, the business and production situation is still affected by the Covid-19 pandemic. Enterprises, especially small and medium-sized enterprises, are increasingly reducing production and contending their operations by processing every small order to pay wages for the few workers who they retain to wait for future orders.

At Phu Thanh Nam Garment Company in District 12, there were still over 400 workers a few months ago, but now, the number of workers is only one-third of that.

'At the time when the pandemic started to break, US and European customers of the company all temporarily suspended, pledging to make orders again and pay off debts in August and September. But now, they said that their customers still have not paid yet, so they continue asking to delay their debts and making an appointment to resign orders in December.

Currently, the company has closed two out of three workshops to maintain production at about 40 percent to provide jobs to workers and to wait and see the situation,' said the leader of Phu Thanh Nam Garment Company.

Similarly, Mr. Nguyen Van Chien, Director of Line Style Garment Company Limited in Hoc Mon District, shared that his company is currently facing several difficulties due to a shortage of orders. As a small company specializing in the processing of skirts and dresses for export to Japan, due to the impacts of the pandemic, its customer owes it more than VND10 billion.

To maintain operations, the company must receive the orders shared by other companies and have to accept a low processing price. Earlier, the processing price was $1 for an item. Now the customer forces down the price to $0.5. Despite the low processing price, the company still has to receive those orders to be able to pay its workers.

‘My workers have followed me for many years, I cannot abandon them even though my company encounters a difficult situation,’ said Mr. Chien.

Not only small and medium-sized enterprises are struggling to survive, but some large companies are also no exception. The representative of Garment Corporation 10 (Garco10) said that from March until now, large orders have severely dropped. It is currently the time to produce goods for the autumn-winter season, Christmas, and New Year, but in the markets of top textiles and clothing importers, such as the US and Europe, the atmosphere is very gloomy, trade almost stops.

The orders for key products of Garco10 over the years, including suits, shirts, trousers, and office fashion products, have been cut sharply by 40-60 percent. Viet Tien Garment Joint Stock Company also reported a decrease of 40 percent in the profit of the second quarter to only VND52.5 billion. Not to mention that many customers have also asked to delay their debts, making it more difficult for production enterprises.

The leverage from the domestic market

According to the Ministry of Industry and Trade, up to now, just a few garment enterprises have received 50-60 percent of orders for September and October.

Meanwhile, the situation of orders for the rest of this year and the next year remains unknown. The reason is that the purchasing power of consumer goods in the US, European, and Japanese markets has not shown many positive signals.

Figures on garment imports and a series of price cuts to stimulate demand to clear inventory to avoid dead stock from retailers, as well as temporary suspension of garment imports by large importers, show that the market, as well as the demand for clothing products, is slowing down. It is also the reason why the garment and textile industry of Vietnam merely exported $25.5 billion in the first nine months of this year, down 12 percent over the same period last year. Mr. Vu Duc Giang, Chairman of Vitas, predicted that the export turnover of the garment and textile industry would reach a maximum of about $34 billion this year, while the target is from $40 billion to $42 billion for this year.

Amid the current situation, to make up for the shortage of orders in the international market, the representative of Vitas, as well as experts, said that textile enterprises need to promote the exploitation of the domestic market. Because the domestic market with nearly 100 million people always has great potentials. If the domestic market is exploited well, it will create leverage for the textile industry to overcome the crisis. Besides, it is necessary to minimize a slump in revenue and profit by managing production costs and keeping product quality.

In the long term, to improve the efficiency of the garment and textile industry, the solutions are to promote chain linkage, reduce dependence on countries supplying raw materials and accessories, meet the origin requirements of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the EVFTA, and exploit the advantages of trade agreements.

However, to effectively implement these solutions, it is essential to have the participation of the Government in developing the planning and policy mechanism, to urgently support enterprises in the garment and textile industry.

Source: sggpnews.org.vn – Oct 03, 2020

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Pakistani cotton yarn exports to China surge

Guangdong province imports locally produced low-count sirospun yarns

Pakistan exported $54.613 million worth of cotton yarn in August, registering a year-on-year decline of 51.36%, according to the Pakistan Bureau of Statistics. However, its cotton yarn export to China surged in the same month.

Data from China's General Administration of Customs shows that Beijing imported $41.836 million worth of cotton yarn (commodity code number 5205) from Pakistan in August, which is 4.36 times more than $9.592 million imported in August 2019, with a year-on-year increase of 336%.

To find out the fact behind the substantial growth of Pakistan's cotton yarn export to China, CEN reporters attended the 2020 Autumn Joint Exhibition of China National Textile and Apparel Council. Low-count sirospun yarn "Pakistan mainly produces low-count sirospun yarns, such as those of 8s or 10s, generally below 21s, which are mostly imported to south China's Guangdong province to be made into denim," said Huang Xifeng, sales executive of import and export department at Litai Xingshi Holding.

"We imported about 1,000 tons of cotton yarn from Pakistan every year," Yang Bin, director of Seazon Textile and Apparel in Foshan, China said in an interview with the China Economic Net. "Our denim fabric is made of thick and low-count yarns which are basically 10s or 8s, no more than 12s." The fabric woven with higher-count yarns is thinner and softer. Yang added that he has cooperated with Pakistan's cotton yarn manufacturers for nearly 10 years.

"As for Pakistan's cotton yarn, we only imported it from explorer, a Pakistani manufacturer, with which we have cooperated for more than 10 years," he said. "Produced locally in Pakistan with American and Australian cotton as raw materials, it boasts the best quality of all." And yet, most of the other Pakistani producers adopt locally grown cotton, which may save hundreds of yuan per ton.

Although Pakistani cotton is somewhat of inferior quality to that in America, Australia, and China, it can be turned into denim, Yang said. Pakistani cotton yarn cheaper than China "The main reason for the surge in import lies in the fact that Pakistan's yarn export to China enjoys zero tariff, thus having a greater competitive advantage internationally," said Xiamen Naseem

Trade general manager Ke Jiangwei. The company has been importing Pakistani yarn for many years in China. "That's why we prefer Pakistani cotton yarn even when we are offered the same price," he said.

Source: tribune.com.pk – Oct 04, 2020

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Pakistan, China enhance cotton trade as competitive partners

Pakistan and China are actively engaged in strengthening their bilateral trade in textile sector, as competitive partner, says China Economic Net (CEN).

A team of CEN's reporting cell in its survey conducted during 2020 Autumn Joint Exhibition of China National Textile and Apparel Council in Shanghai noted that there was substantial growth of Pakistan's cotton yarn export to China in the recent months.

Moreover, both sides were found eager to improve the existing arrangements to compete with each other for having better benefits for the cotton's growers and the traders.

It was noted that Pakistan exported 54.613 million US dollars of cotton yarn in August, registering a year-on-year decline of 51.36%.

As data from China's General Administration of Customs shows, China imported 41.836 million dollars worth of cotton yarn from Pakistan in August, which is 4.36 times the 9.592 million dollars in the same period last year, with a year-on-year increase of 336 percent.

Pakistan mainly produces low-count sirospun yarns, such as those of 8s or 10s, generally below 21s, which are mostly imported to south China's Guangdong province to be made into denim, said Huang Xifeng, sales executive of import and export department at Litai Xingshi (Taicang) Holding Co. Ltd.

“We imported about 1,000 tons of cotton yarns from Pakistan every year. Our denim fabric is made of thick and low-count yarns, which are basically 10s or 8s, no more than 12s.” Yang Bin, director of Seazon Textile and Apparel Co., Ltd in Foshan, China, said in an interview with CEN.

Yang added that he has cooperated with Pakistan’s cotton yarn manufacturers for 10 years. “As for Pakistan’s cotton yarn, we only imported it from Explorer, a Pakistani manufacturer, with which we have cooperated for more than ten years. Produced locally in Pakistan with American and Australian cotton as raw materials, it boasts the best quality of all. And yet, most of the other Pakistani producers adopt locally grown cotton, which may save RMB hundreds per ton. Although Pakistani cotton is somewhat of inferior quality to that in America, Australia, and China, it can be made into denim,” Yang said.Pakistani cotton yarn RMB 3,000 cheaper per ton than that of China with zero tariff

The main reason for the surge in import lies in the fact that Pakistan’s yarn export to China enjoys zero tariff, thus having a greater competitive advantage internationally.

That’s why we prefer Pakistani cotton yarn even when offered the same price,” said Ke Jiangwei, general manager of Xiamen Naseem Trade Co., Ltd, which has been importing Pakistani yarn for many years in China.

“It is not just tariffs, but the price that attracts us,” said Yang, adding that “as Pakistani yarn is much cheaper than the Chinese one, the largest gap reached RMB 2,000 to 3,000 per ton in the last two years, with a price gap of about 10%. Due to the COVID-19 epidemic this year, domestic cotton yarn cannot sell well in China, thus narrowing the price gap to about RMB 1,000.”“The sirospun of 8s in Pakistan was RMB 17,000 or RMB 18,000 per ton before, and now it has dropped to about RMB 16,000 per ton.

At present, the price of Pakistani yarn in China’s domestic market has rebounded. It has risen by more than ten percent compared with the price in May and June. It may have been sold for RMB 15,000 per ton before, and now RMB 16,500, or even RMB 17,000.

Source: thenews.com.pk– Oct 05, 2020

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Pakistan: More export orders, less cotton crop put textile sector in troubles

Exporters across the country, including Faisalabad, are facing severe difficulties due to a shortage of cotton. The government's cotton policy has reduced the country's cotton production target from 14 million bales to 9 million bales. Due to the shortage of cotton yarn knitwear exports have fallen by 10.65 percent and garments exports by 13.74 percent in August.

Faisalabad exporters have demanded the government to formulate an immediate cotton policy with the consultation of stakeholders to combat the current cotton crisis. In this regard, Mian Naeem Ahmed, former chairman of the Pakistan Hosiery Manufacturers and Exporters Association (North Zone), told Daily Times that the cotton crisis in Pakistan was the biggest threat to the value-added textile sector than corona.

If the government failed to address the issue take the issue that results in the closure of the textile industry and a loss of jobs of millions of workers. He said that foreign buyers were demanding shipments from them in 45 days while mills were giving them yarn in three months. In such a situation how can they fulfill orders, he said.

He said that due to the outbreak of corona in India and Bangladesh, garments orders were rapidly shifting to Pakistan but unfortunately due to low cotton production, there was a severe shortage of yarn. If not, not only orders from competing countries will stop in Pakistan, but we will also have lost our permanent buyers. He demanded the government to immediately abolish all duties and taxes on the import of cotton yarn.

Syed Zia Alamdar Hussain, former president of Faisalabad Chamber of Commerce and Industry, said that the textile sector was currently facing three major problems, including a 40 percent shortage of raw materials, a 20 percent increase in electricity prices, and shortage of gas in winter.

He said that the government does not give importance to exports. The government listens to us but does not act. "If the government does not heed our demands, not only the workers but also the mill owners will go on strike in the streets," he said.

Waheed Khaliq Ramey, chairman of the Cotton Power Looms Owners Association, said that due to the shortage of cotton, yarn prices are increasing day by day and it is being heard that International Hem Textile Fair is also going to be postponed. If this continues, the textile industry will shut down. He demanded the government to stop the export of yarn till our national needs are met.

Mian Farrukh Iqbal, newly elected senior vice chairman of the Pakistan Hosiery Manufacturers and Exporters Association, pointed out that the textile sector was presently under disarray owing to high cotton prices. He demanded that the government should allow the export of cotton Yarn after met domestic needs.

Source: dailytimes.com.pk– Oct 05, 2020

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NATIONAL NEWS

FinMin says economic recovery gaining momentum; probable growth path is visible

Remission of Duties or Taxes on Export Product (RoDTEP) scheme aims at refunding exporters indirect taxes paid on inputs, and would also replace the popular Merchandise Export from India Scheme (MEIS) that is incompatible with WTO norms.

With enactment of three legislations each in farm and labour sector besides other structural reforms, the Finance Ministry feels India's probable growth path is visible now. Also, it says economic recovery has gained momentum. "The sustained spread of the virus poses a downside risk to short-term and medium-term growth rate.

To combat these risks, the Government has strategically undertaken various important structural reforms encompassing various sectors. These will strengthen the fundamentals of the economy towards a strong and sustainable long-term growth," Economic Affairs Department said in its monthly report which was made public on Sunday.

During September, three key farm sector legislations - the Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Service Act and the Essential Commodities (Amendment) Act, 2020 came into effect. Along these, three labour codes - Industrial Relations Code, Occupational Safety, Health & Working Conditions Code and Social Security Code - joined Code on Wages to subsume 44 Central Laws into four laws and ease the compliance burden beside bringing new welfare measures for the workers. The Government has already modified the definition of MSME (Micro, Small and Medium Enterprises) to make them more competitive.

"The enabling policy environment and initiatives taken by all stakeholders to seize the available opportunities will actualise the growth potential of the Indian economy," the report said. It quoted S&P Global Ratings' latest review which retained India's investment grade (BBB-) credit rating with a stable outlook as it expects the country's economy and fiscal position to stabilise and begin to recover from 2021 onwards.

Highlighting the performance of high frequency economic indicators, the report mentioned that production of Kharif foodgrains in 2020-21 estimated to go past the previous year's level. The growth of demand in the rural sector is reflected in the registration of two-wheelers/three-wheelers/passenger vehicles along with tractor sales reaching/surpassing previous year levels in August.

Increase in global demand has led to the expansion of India's export at 5.3 per cent in September on a year-on-year basis. The recovery in rail freight enabled revenue earnings clocking positive year-on-year growth for the first time since March in August and early September. Easing of inter-state movement restrictions, quarantine policy and unlocking were accompanied with recovery in Rail Passenger Earnings as well.

Power consumption in September has now crossed previous year levels have grown at an encouraging rate of 4.6 per cent. At an eight-year high of 56.8 in September 2020, India's manufacturing purchasing managers' index augurs well for economic expansion in the coming months. GST collections, also reached ₹95,480 crore in September, going past the previous year level by 3.9 percent for the first time this fiscal year.

As on September 25, India's foreign exchange reserves stood at US$ 542.02 billion, equivalent to more than 13 months of imports and offered a comfortable buffer to provide for the surge in imports following acceleration in the pace of economic activity.

Source: thehindubusinessline.com– Oct 04, 2020

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Textile sector key in realising self-reliant India: PM Modi

Prime Minister Narendra Modi on Saturday said the textile sector is key in realising a self-reliant India, and added that his government is particularly focussing on skills upgradation, financial assistance and integrating the sector with latest technology.

Addressing an international webinar on textile traditions organised by the Indian Council for Cultural Relations (ICCR), he said Indian textiles are highly valued globally and they have also got enriched with customs, crafts, products and techniques of other cultures, a statement said.

He said the textile sector has always brought opportunities and, domestically, it is among the highest job providers in India. Internationally, textiles helped to build trade and cultural relations with the world, he added.

He lauded the ICCR and the Uttar Pradesh Institute of Design for their efforts in bringing people from different countries to participate in the webinar on the theme “Weaving Relations: Textile Traditions”.

He said in the textile sector one can see the country’s history, diversity and immense opportunity.

Speaking of India’s textile traditions, Modi said naturally-coloured cotton and silk have a long and glorious history, and the diversity in textiles shows the richness of the country’s culture.

He said there will be something unique about the textile traditions in every community, every village and every state, and also highlighted the rich textile traditions of the nation’s tribal communities, according to the statement.

He said in all of India’s textile traditions there is colour, vibrancy and an eye for detail.

Noting that the programme is being organised in the context of Mahatma Gandhi’s 150th birth anniversary celebrations, the prime minister said Gandhi saw a close link between the textile sector and social empowerment and converted the simple ‘charkha’ into a key symbol of India’s independence movement.

World over the textile sector employs many women, he said, adding that a vibrant textile sector will add strength to efforts of women empowerment.

Source: financialexpress.com– Oct 03, 2020

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Is there a manufacturing turnaround?

Despite current problems, there are a number of trends that suggest Indian manufacturing may be at the cusp of a turnaround

It is a puzzle that during India's period of higher catch-up growth, the share of manufacturing remained around the mid-teens. In most countries, during similar transitions it increased to about 30 per cent. Our large potential market, demographic advantage and ability to improvise and adjust (jugaad) have not so far resulted in higher manufacturing growth rates. What is changing?

During the post-Independence import-substituting regime Indian manufacturing settled into a comfortable high-cost, low-quality outcome in a protected market. Liberalisation was an import competition regime that manufacturing found difficult to survive given its high costs and unfair government subsidised competition from China. After experimenting with these unproductive extremes, the economy seems to be settling into a more sustainable regime, which I call 'export competition'.

Manufacturing has to export, compete internationally and, therefore, become efficient. But it will be protected from unfair completion and helped to develop economies of scale under a broad set of policies that lower costs of doing business.

For example, the various free trade agreements (FTAs) that India has entered into with East Asian economies have resulted in large net imports into India.

They are being retooled for easier exports of goods and services in which India has comparative advantage, even as the general costs of production are brought down.

Costs of doing business

The focus on ease of doing business has seen India steadily climbing the World Bank rankings, although deeper improvement is required. India's advantages in technology can be leveraged for this. E-governance helps coordinate across government departments and reduce logistics costs.

The compliance burden remains very high for Indian industry due to multiple regulators but moves to create automatically populated central repositories of information that all regulators can access can reduce the burden. This is one-window compliance.

Cross subsidisation is a major source of high costs for industry; in electricity charges, rail freight or water. Reforms are in progress that would replace price distorting subsidies with direct benefit transfers and income support for the poor. As lower costs allow industry to expand employment, the need for income support should fall.

India's per capita income in 2017 reached the level beyond which price-based interventions that distort resource allocation are no longer compatible with its WTO obligations. Neither is industry specific support. Improving conditions for all industries is WTO compatible. So, policy has to perforce shift into this mode.

GST led domestic integration into one market and continuous improvement in infrastructure lowers transport costs. There is systematic work on reducing the cost of all factors of production for industry. Labour law reform gives more freedom in decision-making and by reducing an unwieldy set of laws into four codes again simplifies compliance.

Efforts towards reducing the cost of capital have been continuing over the last decade. The financial sector has reached a level of reform and diversification where multiple sources of funding are available and interest costs are coming down.

Improvements in corporate governance and disclosure, which are in industries hands, are necessary to further revive the corporate bond markets. After Covid liquidity is going to be plentiful, and there is no need for anyone to hoard it. Industry must pay suppliers promptly.

Trust matters

The non-performing asset cycle together with suspicions of public funds and resources being siphoned off by private promoters lead to sustained investigations over the last decade that vitiated the atmosphere for industry. But today while the Indian bankruptcy code has improved the credit culture, the distinction between commercial and criminal losses is increasingly being understood and enshrined in law. For example, the Prevention of Corruption Act (1988) that defined criminal misconduct by a public servant to include obtaining a pecuniary advantage for anyone where no public interest is involved put many bankers under investigation.

But it was modified in 2018 so that a case is only possible if assets are disproportionate to income. The 2013 Company Act has also been amended in 2020 to replace criminal offences by civil ones that can be settled with a fine. The aim is for policy certainty, without flip-flops such as retrospective taxation. The government is committed to providing a broad smooth road for industry to run on.

More generally the Covid shock has shifted policy-makers perspectives. They are ready to work with industry to revive the economy. Aid from the government and regulators can address current as well as old wounds, revive trust and help society pull together once more. But it will be a combination of discipline and support, not the old-style lobbying and special favours.

The world has realised that depending on one country is dangerous. Diversification of supply chains from China is an opportunity for India. More generally, the tensions on the border are leading industry and government to work together to build local clusters and economies of scale, for example in the pharma industry to reduce dependence on China. There is also some consumer boycott of cheap Chinese goods.

Opportunities after Covid-19

Covid presents challenges but there are also opportunities for manufacturing. Work-from-home can save costs as can faster adoption of digital processes. Many new products have been introduced in home services, consumer goods, edutech, and local startups. There is a switch from a service to a product — restaurant meals to packaged food, barber services to electric hair trimmers.

The restructuring of the public sector towards providing public goods while business activities are privatised will give many opportunities, as will agricultural reforms, for example in food processing .

But for the opportunities to manifest industry has to act responsibly to build a vibrant ecosystem. It has to invest in labour skills and well-being, in local communities through its CSR obligations, build supplier clusters with upfront payments to smaller firms as well as develop environmentally sustainable practices with zero waste. When jugaad is no longer against obstacles, but part of a non-zero sum game in a growing economy, it can release a burst of creativity and productive innovation.

The persistence of the virus is an unknown negative. Some industries cannot recover until it passes. But micro-containment strategies and gradual unlocks are keeping the curve of infections down. Arbitrary lockdowns that did the most economic damage are less likely. Unlock 4 in early September clarified there will be no restrictions on interstate movement, so supply chains have a chance to recover.

Source: thehindubusinessline.com– Oct 04, 2020

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Loan Moratorium: Centre tells SC it will waive compound interest on specified loans of up to Rs 2 crore

Most individual borrowers of housing, educational and personal loans as well a sizeable section of MSMEs will benefit, as the government on Saturday agreed in the Supreme Court to waive compound interest on their loans of up to Rs 2 crore for the six-month (March-August) moratorium period.

The waiver of interest on interest will also be given to all such loans by such categories of borrowers, whether or not they availed themselves of the moratorium facility.

Bankers say while a precise estimate of the cost to exchequer of the move is hard to put out now, it could be anywhere between Rs 10,000 crore and Rs 20,000 crore, depending on the guidelines for implementation.

However, the government argued strongly against extending such relief "for all types of loans for all categories of borrowers", saying "such a blanket decision would cause a huge burden of Rs 6 lakh crore on banks, likely wiping out a major part of their net worth and even rendering most of them unviable".

The affidavit has been filed by the Centre in response to a batch of pleas in the apex court raising issues pertaining to validity of RBI's March 27 circular, which allowed lending institutions to grant moratorium on payment of installments of term loans falling due between March 1, 2020 and May 31 this year due to the pandemic (the circular's validity subsequently got extended to August 31).

The government's decision follows a firm stand taken by the court that moratorium would be meaningless unless at least the interest on interest is waived for the period.

Affirming its commitment to protect the borrowers, whose repayment capacity has been affected by Covid-19 and the lockdown, the apex court, in an interim order on September 3, had asked the government and RBI that the accounts which were not declared NPA as on August 31, the day a six-month moratorium period ended, should not be treated as NPAs till its further orders. It also asked banks not to take any coercive action against borrowers. These orders stay.

A bench headed by Justice Ashok Bhushan is likely to take up the matter for hearing on October 5. The court's decision will be eagerly watched, as an extension of the waiver to other classes of borrowers could exacerbate the government's already precarious fiscal position.

The finance ministry stated in the affidavit thus: "This category of borrowers, in whose case the compound interest will be waived, would be MSME loans and personal loans up to `2 crore of the following category — MSME loans, educational loans, housing loans, consumer durable loans, credit card dues, auto loans, personal loans to professionals and consumption loans."

It said the government would seek due authorisation from Parliament for making appropriate grants in this regard and the endeavour shall be over and above the support of Rs 3.7 lakh crore to MSMEs, Rs 70,000 crore for home loans, etc, already extended through the Garib Kalyan and Aatma Nirbhar packages announced earlier.

According to the affidavit, "as part of effective fiscal planning…, a delicate balancing act is required in dealing with the financial impacts of the pandemic. It has to conserve financial resources for the long and uncertain battle on the public health front which has its own huge financial implications."

Despite a series of hearings on the issue, the apex court and the government-RBI-banks combine could not find a meeting ground. As the court found a dichotomy between the moratorium and 'penal' (compound) interest, the government through its top attorneys stressed that waiver of interest or interest on interest is in conflict with the basic canons of finance. The government continued to draw the court's attention to the facility of one-time restructuring of loans being made available to borrowers of assorted nature and loans of various kinds, and flagged it as a viable way of addressing the plight of borrowers, who are not defaulters by nature, without compromising on financial stability.

Source: financialexpress.com– Oct 04, 2020

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Industry expects capacity utilisation to touch 50% in H2

India Inc estimates capacity utilisation of more than 50 per cent during second half, that is October-March, of the current fiscal. This will happen for first time since advent of the pandemic early this year.

"A steady recovery of the Indian economy is on the anvil as corporate India restarts business and economic activity, with lockdowns being increasingly relaxed in many parts of the country," industry lobbying group Confederation of Indian Industries (CII) said in a statement.

This optimism has come after key high frequency indicators showed much better performance in September. These include GST collection (₹ 95,480 crore, 4 per cent rise), export (growth of 5.3 per cent), e-way bill generation (record 5.74 crore), PMI-Manufacturing (56.8 in September) and power generation (13 per cent).

CEO study

According to CII, it is important to allow a complete opening of the economy for demand to pick up, which in turn will propel capacity utilisation. "CII has been working closely with States and city corporations to bring down uncertainty over the opening protocol. The uptick in demand is expected to gain momentum in the coming weeks with the festive season round the corner," it said. The study is based on polls among 115 chief executive officers.

The unlocking of almost all economic activities along with the reform and revival measures announced by the government and the RBI have contributed to the gradual improvement in business sentiments in the second half of the current financial year.

"While in most cases, the performance — revenue or capacity utilisation — is estimated to be lower than the comparative figures in 2019-20, a large percentage of the CEOs polled have shown confidence in the days ahead, indicating that the worst may be behind," the study said.

On consumer demand, while 32 per cent of the CEOs are hoping for better prospects, 27 per cent expect no change when compared to the second of last year. However, only 31 per cent of the CEOs expect their revenue growth to be in the positive territory during the period as against the previous year, as far as revenue growth is concerned.

On exports, 40 per cent of the CEOs expect better prospects and 24 per cent of then expect no change in prospects in H2 compared to the same period last year.

According to CII, the governments both at the Centre and States would need to focus on livelihoods in addition to lives, and hence efforts need to be made to stall the practice of sudden and ad-hoc lockdowns announced in States as well as districts. These not only further disrupt the revival of economic activities but also do not yield the desired results on lives.

Source: thehindubusinessline.com– Oct 04, 2020

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Quality, scale to help take exports to USD 1 trn, not subsidies: Goyal

Commerce and Industry Minister Piyush Goyal on Saturday said quality, technology and scale of production will help India take its annual exports to USD 1 trillion and not government subsidies. He exhorted exporters and the industry as a whole to target USD 1 trillion worth of shipments. "Why can''t we aim for USD 1 trillion exports from India.

We certainly can. I see no reason, (why) we cannot. For that we need to be clear on actionable items (and) subsidies are never going to get us there, I am very very clear about that," he said. "At least in my six years of engagement, I have not found subsidies to be the solution for India''s problems. I think it''s quality, technology, growth, scale; and sometimes for a short period you may need to give a little thrust or support. But if they are looking at literally running a long term engagement with the world on subsidy, it is not going to work," he said.

The minister was speaking at a webinar on strategies for alleviating policy constraints for exports in select sectors. He said there is a need to identify areas where sensible policies can help take exports to USD 1 trillion. The minister also released a study - Domestic Constraints for Exports in Select Sectors - published by the Export-Import Bank of India.

According to the study, an immediate refund of GST could increase the overall GDP by 2 per cent, exports by 7 per cent, aggregate imports by 6 per cent, and overall employment by nearly 4 per cent. It identifies sector specific policy initiatives that could improve operational conditions and efficiency of exporters gems and jewellery, auto and auto-components, electronics, textiles and clothing, and pharmaceuticals sectors.

The study highlighted the need for direct government intervention to reduce costs at ports; attractive production oriented incentives; addressing procedural delays in approvals and refunds, as well as custom clearances by the Government; expediting GST refunds and duty drawback refunds to improve the manufacturing landscape, among others.

"The effects of immediate refund of GST on individual sectors are much larger, with exports from the six identified sectors expected to register double-digit growth," it added.

Source: outlookindia.com– Oct 03, 2020

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Merchandise Export From India Scheme: Auto, pharma firms to be hit hard by cap on MEIS benefits

The government's decision to cap benefits under a key scheme at just Rs 2 crore per exporter during the September-December period of this fiscal will likely hit the pharma and auto industries hard, as some of the large companies in these sectors have generally been among the biggest beneficiaries, raking in export benefits of hundreds of crores of rupees each.

While company-wise data aren't available in the public domain, sources told FE that firms that received maximum benefits under the Merchandise Export From India Scheme (MEIS) in FY18 included JSW Steel (Rs 302 crore), Ford India (Rs 273 crore), Bajaj Auto (Rs 247 crore), Dr Reddy's (Rs 241 crore), Aurobindo Pharma (Rs 211 crore), Mylan Lab (`193 crore), Hyundai Motor India (Rs 189 crore), Vedanta (Rs 180 crore), Lupin (Rs 155 crore), and Nissan Motor India (Rs 150 crore). Tata Motors, Maruti Suzuki India, Hindalco and Reliance Industries, too, have received sizeable amount, the sources said.

It's possible that some of these companies may have been out of the list of top 10 beneficiaries recently but they still corner a sizeable chunk of benefits, the sources added.

A questionnaire sent to the commerce ministry on September 23 remained unanswered until the paper went to the press on Sunday. Queries sent to JSW Steel, Bajaj Auto, Aurobindo Pharma, Lupin and Vedanta didn't elicit any response either. Maruti Suzuki India said it wouldn't like to comment on the matter, while Dr Reddy's sought more time to respond.

Sources said in a meeting with commerce and industry minister Piyush Goyal last month, top representatives of various export promotion councils and other trade bodies expressed concerns over the capping of the MEIS benefits, highlighting that medium and large exporters who are primarily responsible for driving growth are badly hit by the move.

Exporters are also upset that even this limit can be revised down, as the government has limited the overall outgo under the MEIS to just Rs 5,000 crore between September and December.

Earlier this fiscal, starved of resources following the Covid-19 outbreak, the revenue department "suddenly" capped the outlay for the MEIS at just Rs 9,000 crore for the April-December period, which meant that exporters may be deprived of over two-thirds of the benefits they usually get under this scheme. This forced the commerce ministry to block the online module for claiming the MEIS benefits since July 23. However, the online module has been reactivated since September 1.

The MEIS outgo was about Rs 40,000 crore in FY19 and Rs 43,500 crore in FY20. According to a commerce ministry estimate, about 98% of the exporters who claim MEIS will remain unaffected by the changes and less than 2% are likely to be impacted as per analysis of claims in the relevant period of 2018-19. However, exporters have highlighted that these 2% exporters account for a substantial chnuk of the exports covered under the MEIS.

Exporters have said they typically firm up deals after factoring in the MEIS scrips, which range from 2% to 5% of the export turnover, depending on the products or shipment destinations. So, any abrupt or premature withdrawal of or reduction in benefits by the government will, therefore, erode exporters' margins proportionately, at a time when they are already bruised by a Covid-induced cancellation of orders.

Merchandise exports witnessed a record 60% year-on-year crash in April, though the pace of contraction has since narrowed. The exports grew 5.3% on year in September, the first rise since February. However, risks from external headwinds still remain quite strong.

Calling the MEIS an inefficient scheme, NITI Aayog recently said while liabilities under the programme grew as much as 32.2% y-o-y in FY19, exports of the MEIS-covered items rose by only 10.4%. In FY18, the MEIS covered 47.8% of Indian exports but 85.6% of total exporters, mainly because the scheme encompasses many labour-intensive sectors filled with small and medium businesses.

Source: financialexpress.com– Oct 05, 2020

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Budget 2021: FY22 Budget exercise from October 16

The finance ministry will start a crucial exercise from October 16 to prepare the annual Budget for FY22. This will also enable the government to reassess its finances for firming up the revised estimates of its account for the current fiscal, which has gone haywire in the wake of the Covid-19 outbreak.

The exercise comes at the most challenging time when the pandemic has ravaged the economy and caused a slide in revenue collection, limiting the government's ability to stir growth through a massive public expenditure drive.

A senior government official said the Budget-making exercise for FY22 is going to be an extremely hard task, given uncertainties across variables, including potential revenue collections and expenditure requirement to bring the economy back on its feet.

As such, all the FY21 Budget calculations made before the pandemic have gone for a toss, and the government was forced to announce a steep 54% hike in its full-year gross market borrowing plan to a record `12 lakh crore in just over a month into the current fiscal.

The Budget estimates for 2021-22 will be provisionally finalised after the expenditure secretary wraps up discussions with other secretaries and financial advisers. Pre-Budget meetings are expected to continue until the first week of November.

It will be the third Budget (including an interim one) of both the Modi 2.0 government and finance minister Nirmala Sitharaman.
A number of established agencies have already projected a steeper GDP slide (some expect it to be as much as 15%) in FY21 than assumed earlier, after the government announced a record 23.9% contraction, the sharpest among the G-20 economies, in the June quarter.

While most agencies have predicted a recovery in FY22 (S&P projects a 10% expansion next fiscal), some of them have cautioned that it will be greatly aided by a favourable base and a meaningful rebound will take time to materialise. S&P expects a permanent loss of 13% in output over the next three years.

The Modi government had scrapped a colonial-era tradition of presenting the Budget at the end of February each year. Subsequently, former finance minister Arun Jaitley had for the first time presented the Budget on February 1, 2017.

Since the Budget date has since been advanced, various ministries are now allocated their budgeted funds from the start of the financial year beginning April. This enables the departments greater flexibility as well as time to spend and suitably adjust their business plans.

Source: financialexpress.com– Oct 03, 2020

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First Orange Exp to Bangladesh starts from Warud on Oct 19

First train carrying consignments of 460 metric tonne of oranges will be chugging to Bangladesh from Warud tehsil — region's major orange growing centre in Amravati district — on October 19.

Even as the fruit from the region is regularly exported to Bangladesh, this will be for the first time a consignment is being sent through the rail link between the two countries. The rail route will be cutting the travel time to less than half as compared to road.

The consignment includes stock from Shramjeevi Nagpur Farm Producers' Company and Riyaz Orange Producers' Company apart from private traders.

Ramesh Jichkar, CEO of Shramjeevi, said the train will start from Warud on October 19 and reach Benapole in the neighbouring country.

Jichkar told TOI that the concept was mooted by Union minister for surface transport Nitin Gadkari. The train journey will reduce the travel time by over 60 hours. As against 90 hours taken by road, the oranges will reach Bangladesh in little over 25 hours.

"There will be 16 wagons full of oranges in the train out of which one will be having Shramjeevi's consignment," said Jichkar. Apart from it, private traders have also booked wagons, he said.

The oranges will be sold to various fruit traders in Bangladesh as a table fruit, he said. Since Shramjeevi did not have export licence, its consignment is being sent through another trading firm, said Jichkar.

The price will be realized on the basis of offers made by traders in Bangladesh depending on the quality. The first journey is being undertaken as a pilot project, after which the rail link is expected to be tapped on a regular basis, said Jichkar.

Source: timesofindia.com– Oct 04, 2020

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The fashion industry goes vocal for local

Years back, during the struggle for Indian independence, many movements were launched by Mahatma Gandhi to secure India's indigenous workers and promote self-reliance. The Gandhian Swadeshi movement resonated with the same idea of promoting Indian goods and boycotting foreign ones. This gave Indian craftsmen a chance to put forward their skills and earn their livelihood.

This also helped in promoting Indian culture and crafts that inculcated only in our country. Today, after years, history is repeating itself as Indian designers are echoing the same ethos and promoting atma nirbharta. Also, because the Pandemic has slowed down the markets that affect these clusters of craft. "The craft clusters of India are a unique combination of heritage, skill and dynamism.

The products we create through our collaborative work in these clusters are both unique and contemporary and are in huge demand internationally as indigenous crafts are now slowly languishing world over and very few countries have living crafts.

This presents us with a huge opportunity to explore the international markets seeking handmade textiles and craft products. For us, the most important is to be able to generate sustainable employment for our artisans during this time," says designer Anavila Misra who works around 200 weavers in Phulia region of west Bengal, 12 families in Jharkhand and around 20 printers in Gujarat.

#VocalforLocal #SupportIndianGoods #MakeInIndia are the hashtags of our times. The Fashion Design Council of India that leads the fashion world in our country started a fund to support artisans during the Covid19 scare, they also started hashtags that are helping in spreading awareness across the global.

Many designers such as Manish Malhotra have been doing so for a while now, he supports hundreds through his Project Mijwan. Designer Anita Dongre, Anavila Misra, Rina Singh of Eka, Gautam Gupta and many more have been standing by the artisans. “Gandhi ji in his various educational papers had emphasised the importance of imbibing craft-based learning as a part and parcel of literary education, across India.

In modern times, where clothing and fashion are two different commodities, perhaps have always been, and the aspirational aspect of fashion goes beyond geographical boundaries, the craft-based products seemingly appear unfashionable and old world to the young customer. In such times, to hand hold a craft and experiment with re-creating the techniques with modern/contemporary design aesthetics, so that it reaches a larger audience, is what we have successfully delivered,” says Rina Singh who adds a contemporary touch to Indian crafts and fabrics.

Many have also taken local global. They have been promoting Indian crafts in countries like the Middle East, United States of America and more. “The western market, especially Europe, has an eye for the fine, natural and handmade. Working with craftsmen to create collections that make our craft not only regain popularity in our own country but spread awareness across the globe through local products is definitely a proud thing,” says designer Yadvi Agarwal of Yavi.

Source: hindustantimes.com– Oct 03, 2020

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Dollar Industries commissions 4 MW solar power plant in Tirupur

Dollar Industries has commissioned a 4MW solar power plant at its manufacturing facility in Tirupur. The plant is a part of Dollar's "Green Mission" initiative.

The company has invested Rs 18 crore on this project and the payback period is expected to be 5 years. The generating capacity of the plant is 75 lakh power units/ annum.

This listed company is into making apparels under the brand "Dollar" and said to hold 15 per cent market share in the organised segment.

Vinod Kumar Gupta, Managing Director, Dollar Industries said the company installed the solar plant not merely to reduce cost, but make the spinning unit in Tirupur sustainable and self-reliant.

"The cost of power to produce one kilogram of cotton yarn works out to Rs 27- 28. The installation of the solar plant is expected to feed almost 50 per cent of the daily consumption at the spinning unit besides helping to curb carbon-dioxide emission by 9000 kg/ per day with sustainable environment. The project is in line with our commitment to develop renewable production capabilities."

"The plant has been commissioned by Indway Power Energy Pvt Ltd. The power generated from the solar plant would primarily be used for our spinning unit, and the excess if any would be utilised to feed the dyeing unit, located at SIPCOT Industrial Park, Perundurai," said Binay Kumar Gupta, Executive Managing Director and Promoter, Dollar Industries.

Source: thehindubusinessline.com– Oct 03, 2020

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