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IBTEX No. 131 of 2019 July 06, 2019

SD 68.45| EUR 76.88 | GBP 85.71 | JPY 0.63

Cotton Market (5th July 2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21292	44500	**82.53**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21470	44872	**83.22**
International Futures Price		
NY ICE USD Cents/lb (December 2019)	67.25	
ZCE Cotton: Yuan/MT (September 2019)	13,800	
ZCE Cotton: USD Cents/lb	91.09	
Cotlook A Index – Physical	**78.35**	

Cotton Guide: The domestic prices of Shankar 6 has seen a bit of decline with the selling pressure coming in from the Ginners as they continue to offload their stocks. Average price of Shankar 6 is quoted around 44,500 Rs/Candy. The prices of J-34 are quoted around 4,800 Rs/Maund. Both The Cotlook Index A and Cotlook Forward Index A remained unchanged at 78.35 cents/lb and 77.65 cents/lb respectively.

ICE was closed yesterday due to Independence Day Holiday in the USA. MCX contracts concluded with lower volumes. The volumes were seen at 1271 lots as compared to the volumes seen on Wednesday which were almost similar. The volumes seen on Wednesday were also lower at 1250 lots.

The prices, however, seemed to settle with uncertain market sentiments thus being unsure and not displaying a clear trend. For MCX, we have now ventured into such a situation where the psychological tendencies of market participants towards the changing fundamental conditions have to be studied rather than studying the fundamentals itself.

This morning while we write the report at 8:30 am, the ICE December contract is trading in green color with slight changes compared to the previous settlement price. Currently ICE December contract is trading at 67.33 cents/lb with a change of +0.12%.

Overall this month the prices of cotton have remained range bound with the exception of the positive slant of around 2 cents which came in with the news of the US China agreeing to somewhat not worsen the situations for each other.

However, today's export sales data and on call reports can shed light on whether the Chinese Buyers are really contracting for cotton (with USA) or not. On the other hand there still lies a series of unclear questions on whether China would waiver the import duties previously imposed on US agri-commodities to boost its buying.

For today we expect the MCX contracts and ICE contracts to be consolidated with a bias – downwards, as we are not expecting China contracting so soon with the US. We are presuming the export sales data to be weak although with a slight improvement as compared to the previous reports.

The USDINR has been volatile ahead of the Budget in India. The pair, therefore, could breach support at 68.35 on pro-growth budget. This could be appealing to market participants seeking imports into India.

On the technical front, ICE Cotton futures continued to trade sideways as it failed to hold on the rally and witnessed decline towards 9 day EMA at 66.70 level. Price is still going nowhere and consolidating in the same range of 68-65. Meanwhile RSI in the daily charts has moved above the 50 level, suggesting sideways trend in the market. However, price need to sustain above the crucial resistance zone of 68-69, to move further higher towards 70-72 levels. Likewise, crucial support exists around 66.70, followed by 65.50 level. The trading range would be around 21,350-21,650 Rs/Bale.

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

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INTERNATIONAL NEWS

China Reiterates Demand That US Must Lift All Tariffs

China continues to stress that the U.S. must remove all the tariffs placed on Chinese goods as a condition for reaching a trade deal.

On Friday, an influential blog connected to state media said the talks will "go backward again" without that step, echoing the line from Ministry of Commerce's weekly briefing on Thursday.

While President Donald Trump and President Xi Jinping agreed last month to re-start talks and the U.S. suspended the application of fresh tariffs, no plan for face-to-face negotiations has yet been announced.

"If the two sides are to reach a deal, all imposed tariffs must be removed," Ministry of Commerce Spokesman Gao Feng said on Thursday. "China's attitude on that is clear and consistent."

Scrapping all the punitive tariffs the U.S. imposed is the "most important" request and that won't change during the trade talks, according to a commentary by Taoran Notes, a blog run by the Economic Daily under a pseudonym on the WeChat platform.

Some U.S. officials have insisted that some tariffs will stay even after a deal, as a means to enforce it. China laid out three red lines for a trade deal when the talks collapsed in May. As well as the removal of all the tariffs, any purchases must be in line with the country's real demand and the deal must be based on equality and mutual respect.

Chinese purchases of U.S. agricultural products is the country's "special chip" in the negotiation, and any imports will depend on whether the talks will be equal and mutually respectful, according to the Taoran Notes commentary.

China is apparently considering buying some agricultural goods from the U.S. as a gesture of goodwill, but so far, there has been no sign of the "tremendous" purchases that President Donald Trump said China had promised to make.

Source: sourcingjournal.com- July 05, 2019

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USA: Apparel Sourcing Diversification Ramps Up Amid Global Trade Tension, New Data Shows

What a difference a year made in apparel sourcing for the U.S. market.

Imports of apparel from China hardly increased in May compared to a year earlier, while shipments surged from top 10 suppliers Bangladesh, India, Cambodia and Pakistan, according to the latest data from the Commerce Department's Office of Textiles and Apparel (OTEXA).

Vietnam, the No. 2 apparel supplier to the U.S., also posted a substantial increase, as the diversifying supply chain saw continued contribution to the U.S. apparel market from African and Western Hemisphere, as well as other Asian suppliers.

The shifting sands of U.S. sourcing in the last year came as the Trump administration and China's leadership have engaged in trade war that led to substantial tariffs on imports from each side that, up to now, has spared much of the apparel sector. U.S. threats of 25 percent duties on apparel imports from China were put on hold last week, but the threat has left its mark.

Some executives have also noted that China's rapid rise to become the world's factory has been waning for a while due to increased costs, government policies and concerns over being too invested in one country.

"We've been migrating sourcing out of China for the last several years, and we'll continue to do this responsibly going forward," Art Peck, president and CEO of Gap Inc., said recently.

"As recently as three years ago, about 25 percent of our product was manufactured in China. In our most recent disclosure, that number was down to 21 percent. And if you include only apparel, our penetration is approximately 16 percent."

Imports from China, still the top apparel supplier to the U.S., increased just 1.7 percent in value to $1.82 billion in May from a year earlier, although volume was up 6.9 percent to 854.81 million square meter equivalents (SMEs), according to OTEXA. This indicates that makers of cheaper merchandise were still relying on China for their manufacturing, while better brands were shifting their production.

Vietnam's shipments of apparel into the U.S. rose 8.7 percent in May year to year to a value of $1.07 billion, while its Asian neighbors built up their market share in the last year.

Among the top 10 suppliers, imports from Bangladesh jumped 22.2 percent to $520.55 million, India's shipments rose 11.2 percent to $388.26 million, imports from Cambodia gained 23.4 percent to $202.08 million and Pakistan supplied 11.4 percent more merchandise, to reach value of $120.86 million.

Among second tier Asian suppliers, Sri Lanka continued to grow its market share, with imports increasing 26.4 percent to $136.92 million, while imports from Malaysia rose 14.6 percent to $34.72 million.

Overall imports to the U.S. increased 6.6 percent in value to $6.6 billion in May compared to a year earlier, as volume grew 5.5 percent to $2.28 billion SME.

Several Western Hemisphere countries, most of which have low or duty-free preferential trade treatment, also registered increases in imports. Shipments from Haiti rose 21.6 percent in the month compared to May 2018, imports from Honduras were up 7.2 percent to $240.39 million and Peru supplied $56.01 million worth of finished goods, representing a 16 percent increase.

U.S. importers continue to look to Africa for fresh sourcing alternatives, as they invest in and build relationships with factories there. Ethiopia has led the charge, as indicated by its 119 percent year-to-year increase in May to a value of $120.86 million worth of apparel shipments to the U.S. Imports from Kenya rose 44.8 percent to $39.25 million, Madagascar's gained 20.4 percent to $20.16 million Lesotho's were up 19.8 percent to $20.26 million.

Source: sourcingjournal.com- July 05, 2019

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The EU Signs Two Major Trade Deals While the US Dishes Out New Tariffs

As the European Union advances on trade, the United States appears to be faltering.

In the past week, the EU has settled two major trade deals. In the same time, the U.S. has postponed tariffs in China, leaving an agreement on trade up in the air, slapped 400 percent tariffs on Vietnamese steel, and threatened new tariffs on $4 billion worth of EU products.

The two nations' paths appear divergent ,to say the least.

Last Friday, the EU and Mercosur reached an agreement on trade, that's expected to "give European companies an important head start into a market with an enormous economic potential," the European Commission said in announcing the news.

The agreement between the EU and the bloc comprising Argentina, Brazil, Paraguay and Uruguay, will remove the majority of tariffs on EU exports to the countries—which will spell an opportunity for textiles, too.

"This will help boost exports of EU products that have so far been facing high and sometimes prohibitive tariffs," the Commission said.

For clothing and footwear, the EU-Mercosur agreement will see 35 percent tariffs eliminated, and the 26 percent tariff on knitted fabrics will also be removed.

"I measure my words carefully when I say that this is a historical moment. In the midst of international trade tensions, we are sending today a strong signal with our Mercosur partners that we stand for rules-based trade," European Commission president Jean-Claude Juncker said.

"Through this trade pact, Mercosur countries have decided to open up their markets to the EU. This is obviously great news for companies, workers and the economy on both sides of the Atlantic, saving over €4 billion [$4.51 billion] worth of duties per year. This makes it the largest trade agreement the EU has ever concluded," Juncker added.

Just two days later, the European Commission and Vietnam signed a Free Trade Agreement and the Investment Protection Agreement, calling it, in a joint statement, "the most ambitious free trade deal between the EU and an emerging economy to date."

The deal is set to strengthen trade relations between the EU and not just Vietnam, but the entire ASEAN region, which also comprises Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia.

The EU, according to the European Commission statement, is "aiming towards closer trade and investment relations between the two regions."

The EU-Vietnam FTA is now being reviewed for ratification, which the Commission said it hopes to wrap "in the coming months" so companies and consumers on both sides can "reap their benefits as soon as possible."

Source: sourcingjournal.com- July 05, 2019

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Walmart to Invest $1.2 Billion in China Supply Chain Logistics

Walmart plans to increase its investment in supply chain logistics in China by about $1.2 billion, building or upgrading more than 10 logistics distribution centers, over the next 10 to 20 years.

"Walmart continues to increase investment in supply-chain logistics in order to enable our omnichannel development, continue to provide our Chinese customers with great fresh products, and improve our service," said Ryan McDaniel, senior vice president of Walmart China supply chain.

Some of Walmart's investment will go toward building the first customized perishable food distribution center, which follows the March opening of the South China Fresh Food Distribution Center.

The Fresh Food Distribution Center currently serves more than 100 Walmart stores in Guangdong and Guangxi, with daily distributing capacity of up to 165,000 cases of products.

Efforts to improve its supply chain have been ongoing for Walmart, particularly as the retailer battles Amazon for mind—and market share.

Walmart's China supply chain enhances data storage and analytics using the internationally advanced, cutting-edge big data platform, Data Lake, and new mobile applications, McDaniel noted. Applying a digital management platform allows supply chain managers to mobilize and visualize performance management in a more intuitive, convenient manner.

In addition, the company's China's supply chain develops standard operating procedures and employee training programs based on international standards.

In 2018, Walmart China's dry warehouses and fresh food distribution centers dispatched more than 300,000 vehicles to its stores, resulting in an annual distribution mileage of more than 80 million kilometers and daily delivery of more than 1 million boxes of goods.

Walmart entered the Chinese market in 1996 and opened its first store in Shenzhen.

The Walmart Global Procurement Office was established in Shenzhen in 2002. Walmart currently operates a variety of formats in China, including shopping malls, Sam's Club stores and Huisafe supermarkets.

Under those banners, Walmart operates more than 400 retail units covering more than 180 cities in China, as well as running some 20 distribution centers.

Source: sourcingjournal.com- July 05, 2019

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BigC resumes garment purchase from Vietnamese firms

At a meeting between the ministry and the director general of Central Group Vietnam--the owner of BigC about the issue, the group said that it would closely work with firms and resume purchase of garment products from an extra of 100 Vietnamese suppliers in the next two weeks. The meeting organized in the morning on Thursday with the attendance of key staff from Central Group and the Thai Ambassador to Vietnam.

According to Mr. Hai, the group said at the meeting that it would scrutinize the order resume to the remaining of 50 suppliers afterwards because some have failed to meet regulations and commitments in signed contracts.

On behalf of the ministry, the Deputy Minister appreciated the group's investment in Vietnam. Central Group is the owner of Nguyen Kim electronics shopping center and Lan Chi Mart besides BigC, providing direct jobs for 17,000 people and indirect jobs for tens of thousands of others. BigC alone recruits about 9,000 Vietnamese workers.

Central Group Vietnam contributed about VND1 trillion (US$43 million) including VND500 billion ($21.52 million) from BigC to the state budget in 2018, said Mr. Hai.

Explaining the purchase pause, Central Group said that it had a new strategy for garment industry in Vietnam. They were resetting their system and that needed a certain period of time so the group temporarily halted purchasing of Vietnamese firms' products within 15 days.

So far the group has sent a letter to suppliers and partners in Vietnam saying that the purchase pause is just temporary. All orders signed before will continue to be implemented, said the deputy minister citing the group's statement in the morning meeting.

Currently BigC has about 4,000 retail suppliers including 200 garment and textile firms.

Deputy Minister Do Thang Hai affirmed that the ministry requires the settlement between BigC and 200 garment suppliers must base on their signed contracts and abide by other regulations of the Vietnam law.

The ministry's point of view is that on one side, it will create the best conditions for foreign investors particularly BigC to operate in the country but on the other side, the ministry is determined to protect interests of Vietnamese firms and consumers, Deputy Minister Hai emphasized.

Also on July 4, Central Group and Vietnam Apparel and Textile Association signed a cooperation minute so that the association will be able to solve similar issues in the future. Government agencies including the ministry will just give support to create a transparent and healthy legal business environment, he added.

Source: sggpnews.org.vn- July 05, 2019

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Pakistan: Import of cotton: re-imposition of duty, ST deferred for one month

The Economic Coordination Committee (ECC) of the Cabinet has deferred re-imposition of custom duty and sales tax on import of cotton for one month, well-informed sources told Business Recorder.

Ministry of National Food Security & Research stated that cotton produced in Pakistan is largely consumed by 450 textile units across the country which contributes to export earnings of the country.

Area under cotton in Pakistan has witnessed a decline over last few years mainly because of turnover advantage and support price of other commodities.

Pakistan produces around 13 million bales of cotton and imports about one million bales to meet the gap between consumption and production. Around 1-1.5 million bales Extra Long Staple (ELS) cotton per annum is also imported at any production level, as this quality is not produced in the country.

The ECC was informed on June 26, 2019 that the government withdrew customs duty, additional custom duty and sales tax on the import of cotton on January 31, 2019 which expired on June 30, 2019.

Resultantly, 1,802,524 bales were imported during July 2018 to April 2019 and local cotton prices went down from Rs 9410 per maund in November 2018 to Rs 9241 per maund in March 2019.

Cotton production in 2018-19 (9.98 million bales) has witnessed 16 percent decrease relative to the past year (11.98 million bales in 2017-18). However, for the year 2019-20, the government has fixed an ambitious target.

In this backdrop, it is apprehended that if import of cotton continues to be facilitated as such, it might create an imbalance in cotton stocks in the country.

This in turn, is anticipated to exert a downward pressure on cotton-prices in the beginning of the cotton season. It may be added that the sowing of new crop has also been affected due to accelerated imports.
National Assembly Special Committee on Agriculture headed by Speaker National Assembly, in its meeting held on April 22, 2019, cognizant of this issue endorsed the imposition of duty on import of cotton prior to cotton sowing.

Moreover, National Assembly has also passed a resolution on April 30, 2019 that "Federal government should, without any delay restore the regulatory customs duty on cotton import to prevent the massive and set minimum support price for cotton to protect the local farmers and encourage cotton cultivation in the country".

Ministry of National Food Security & Research further informed that export oriented units would not be affected due to imposition of duty as such units have provision of Duty and Taxes Resumption (DTRE) scheme, to claim the duty on imported raw material. In reality, duty free import is only affecting local cotton prices and is not producing any benefit to the textile exports.

It was suggested that in order to increase the cotton cultivated area, the duty and sales tax may be re-imposed on January 15, 2019 as this would help to stabilize the cotton prices in the country and will encourage farmers to improve management and investment to ensure a raise in the overall yield.

Ministry of National Food Security & Research proposed that custom duty, additional custom duty and sales tax withdrawn on January 30, 2019 @ 3 per cent, 1 per cent and 5 per cent may be re-imposed on the import of cotton with effect from July 1, 2019.

During the ensuring discussion, it was agreed that the custom duty/sales tax may be re-imposed on the import of cotton in the public interest. However, due to different harvesting seasons of the crop in Sindh and Punjab, the customs duty/sales tax may be re-imposed after consultation with all concerned.

After detailed discussion, it was decided that the Ministry of National Food Security & Research should re-submit the case after one month.

Source: fp.brecorder.com- July 05, 2019

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Pakistan: Ready-made Garments $2.440 Bn Exported In 11 Months of FY 2018-19

The exports of ready made garments form the country during 11 months of financial year 2018-19 had witnessed 4.16% growth as compared the corresponding period of last year.

During the period from July-May, 2018-19, country earned $2.440 billion by exporting about 48,250 thousand dozens of ready made garments as against the $2.342 billion and 36,182 thousand dozen of same period of last year.

According the data of Pakistan Bureau of Statistics, knitwear worth $2.670 billion was exported during the period under review as compared the $2.453 billion of last year.

About 113,750 thousand dozens of knitwear exported in last 11 months of fiscal year 2018-19 as compared the 267,741 thousand dozens of same period last year, which was up by 8.84% in Dollar terms.

Meanwhile, bed wear exports also recorded about 1.60% growth as about 374,933 metric tons of bed wear valuing $2.088 billion exported as compared the exports of 342,530 metric tons valuing $2.055 billion of same period of last year.

However, during the period under review, exports of raw cotton reduced by 67.19 %, cotton yarn by 16.01% and cotton cloth by 3.65%. respectively.

It is worth mentioning here that textile group exports from the country during last 11 months had registered about 0.09% as it came down to $12.315 billion from $12.326 billion of same period of last year.

Source: urdupoint.com- July 05, 2019

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NATIONAL NEWS

Highlights of Union Budget 2019

Finance Minister Nirmala Sitharaman presented the maiden budget of Narendra Modi 2.0 government in the Lok Sabha on Friday. "Gaon, Garib and Kisan [village, poor, and farmer] is at the centre of all policies of this government. Between 2014 and 2019, we provided rejuvenated dynamic Centre-State cooperative federalism, and the GST Council, said Ms. Sitharaman.

Here are the highlights of the Union Budget:

1. PAN and Aadhaar will become interchangeable. You can use your Aadhaar number to file your I-T Returns soon.
2. ₹5 lakh minimum limit announced for taxpayers. In view of rising income levels, those in the ₹2-5 crore and ₹5 crore-and-above brackets will see increase in effective tax rate by 3% and 7%, respectively.
3. GST rate on electric vehicles proposed to be lowered to 5%. Additional income tax deduction of ₹1.5 lakh on interest on loans taken to purchase electric vehicles.
4. Additional deduction of ₹1.5 lakh on loans up to March 31 2020 for buying affordable houses, giving ₹ 7 lakh benefit to home buyers.
5. Proposal to provide Aadhaar cards for NRIs with Indian passports, after their arrival in India, with no waiting period.
6. ₹20 coin coming up.
7. Excise duty on fuel hiked by ₹1.
8. To resolve the angel tax issue, startups will not be subject to any scrutiny in respect to valuation. Funds raised by startups will not require any scrutiny by the I-T department.
9. TDS of 2% on cash withdrawals exceeding ₹1 crore in a year from bank accounts, to discourage business payments in cash.
10. Period of exemption for capital gains arising from sale of house for investment in startups to be extended to March 31, 2021.
11. ₹70,000 crore in recapitalisation for public sector banks.
12. ₹1.05 lakh crore disinvestment target for the year.
13. TV channel to be launched for promoting startups and to help matchmaking for funds.

14. New national educational policy hopes to transform Indian education into one of the best in the world, with focus on bringing in foreign students.
15. ₹50 lakh crores proposed for Railway infrastructure.
16. By 2022, the 75th year of Independence, every single rural family, except those who are unwilling to take the connection, will have electricity and clean cooking facility.
17. Stress on zero-budget farming, which is a form of gardening as a self-sustainable practice, with minimum external intervention.
18. The pension benefit will be extended to 3 crore retail traders under PM Karam Yogi Maan Dhan Scheme. It requires only Aadhaar numbers and bank accounts.
19. ₹1 crore worth of loans proposed to MSMEs.
20. Investment by FIIs and FDIs in debt securities in infrastructure debt funds to be allowed. Minimum public shareholding in listed companies can be increased from 25% to 35%.
21. Global Investors Meet to happen in India.

Source: thehindu.com- July 05, 2019

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Textile industry hails proposals

The textile industry here has welcomed the Union Budget proposals saying that it is growth oriented.

According to the Cotton Textiles Export Promotion Council (TEXPROCIL), the budget has emphasised on the development of inland waterways for cargo movement. It will bring down the cost of transport, especially for bulk products such as raw cotton.

The Non-Banking Finance Companies had been assured of support which was a right step, said K.V. Srinivasan, chairman of the Council. Exporters accessed alternative sources of finance at a lower cost, he pointed out.

The Confederation of Indian Textile Industry has said that increase in allocation for development of handloom, handicraft, wool, silk, jute and power loom sectors and additional funds for skilling will benefit the industry.

P. Nataraj, chairman of Southern India Mills' Association, has said the announcement of "One Nation One Grid" power sector tariff and structural reforms will be a boon to the textile industry, which is power intensive.

Mr. Nataraj has also said that the initiatives taken on Ease of Doing Business and investments planned in infrastructure are welcome measures. The increase in the annual turnover threshold limit from ₹250 crore to ₹400 crore for Corporate Tax of 25 % will benefit several textile mills.

According to the Indian Texpreneurs Federation convenor Prabhu Dhamodharan, the percentage of women workforce in the textile industry is less compared to the number in Vietnam or China.

The budget has given priority to women empowerment.

"Our industry can be part of the mission and contribute towards women development. We are keen to work with the government on this mission," he said.

The Apparel Export Promotion Council vice-chairman A. Sakthivel has pointed out that the budget focuses on developing the Indian economy to a $ 3 trillion economy this year. It gives importance to infrastructure development and encourages Foreign Direct Investment. However, some of the demands of the textile industry have not been met.

Tiruppur Exporters' Association president Raja Shanmugham has said it is a generic budget with no specific announcement for the textile sector.

The pending amount for ROSL (Rebate of State Levies) scheme for Tiruppur alone is likely to be about ₹300 crore. There is no allocation for it in the budget.

Though the proposals are not damaging, there are no incentives too. Further, the extension of 25 % Corporate Tax for companies that have up to ₹400 crore annual turnover is not available for proprietor firms.

Source: thehindu.com- July 05, 2019

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Industry bodies all-praise for union budget

Various industry bodies Friday welcomed the union budget presented by finance minister Nirmala Seetharaman.

The maiden budget of the current finance minister is a clear demonstration of the governments vision towards a developed and sustainable India which is forward-looking and visionary, convenor of taxation panel CII Coimbatore zone G Karthikeyan said.

The focus and thrust is given to agriculture, MSME, infrastructure and start-up eco-system which would rejuvenate creation of jobs.

The assurance that start-ups and their investors would not be subject to any tax scrutiny for value of their shares if they file requisite declaration is a big relief to start-up investors, Karthikeyan said.

The proposed faceless e-assessment for the income tax assesses would provide transparency to the tax payers in addition to reduction of hassles, he said.

However, the increase of petrol and diesel would increase overall cost of living, Kathikeyan said in a statement.

Meanwhile, Indian Texpreneurs Federation (ITF) welcomed the announcement regarding formation of a committee with government and private stakeholders to suggest action to move forward on women development.

Increasing the participation of women in workforce is the top priority of the country.

The percentage of Indian women in workforce is around 26 while in Vietnam it was 73 and in China 62, ITF convenor Prabhu Dhamodaran said in a release.

Chairman of Southern India Mills Association P Nataraj welcomed the 10-point vision for the next decade intending to make the country achieve USD 5-trillion USD in a few years.

In a press release, Nataraj welcomed the budget that has laid ambitious targets to address various important issues relating to connectivity, power, skill development.

He appreciated the announcement of 'One Nation, One Grid' power sector tariff and structural reforms.

The textile industry being the power-intensive industry and facing problem of stiff competition in the global market would get greatly benefited with the proposed reforms addressing the barriers like cross subsidy surcharges, undesirable duties on open access and captive power generation, he said.

The announcement of four labour codes in place of multiple labour legislations is yet another welcoming feature in the budget, Nataraj said.

However, he said the allocation of Rs 700 crore for Amended Technology Upgradation Fund (TUF) Scheme was much on the lower side as the total pending TUF subsidy under various TUF schemes amounts to around Rs 10,000 crores.

He expressed hope that once the Ministry of Textiles conducts joint inspection and make the claims, adequate funds would be provided to enable the industry to mitigate the financial stress currently being faced.

Out of Rs 17,822-crore allocated for TUF subsidy for the period 2017-2022, only around Rs 2,400 crore has been utilised, Nataraj said and appealed to the government to expedite the release of subsidy.

Source: business-standard..com- July 05, 2019

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Making headway with higher FDI caps

After insurance intermediaries, focus turns to aviation, single-brand retail

High on confidence in its second term, the BJP-led government has indicated its willingness to move fast on Foreign Direct Investment (FDI) reforms. Union Budget 2019-20 has raised the limit for insurance intermediaries to 100 per cent while setting the ball rolling for more liberalisation of the aviation, media (animation), insurance and single-brand retail sectors.

"India's FDI inflows in 2018-19 remained strong at $64.37 billion, marking a 6 per cent growth. I propose to further consolidate the gains in order to make India a more attractive FDI destination," Finance Minister Nirmala Sitharaman said.

"Increase (proposed) in FDI limits in sectors like aviation and insurance is a huge positive since these sectors are highly capital-intensive and there was a constant request by India Inc for such a move," said Rajesh Thakkar from Tax & Regulatory Services.

Notification likely soon

The Modi government, in its first term, faced tremendous pressure to liberalise the FDI sector, from foreign investors and trade partners such as the US and the EU, but it was not able to move much in sectors such as insurance, aviation and retail because of domestic sensitivities.

The Finance Minister announced unambiguously that 100 per cent FDI will now be permitted for insurance intermediaries (up from 49 per cent), which indicates that a government notification on the decision will be out soon.

"The announcement on insurance intermediaries is a progressive move as it will bring in cost effective capital for several insurers who are investing in technology and digital solutions and want to expand network to grow.... Also, the insurance penetration in India is lower than other Asian countries, and more FDI will help in driving this positively," said Ashish Vohra, ED & CEO, Reliance Nippon Life Insurance.

The Minister also said that local sourcing norms will be eased for FDI in single-brand retail, a demand being pushed by multinationals such as IKEA and Apple.

For the other sectors, though, there will be more consultations.

“The Government will examine suggestions of further opening up FDI in aviation, media (animation, visual effects, gaming and comics) and insurance sectors in consultation with all stakeholders,” she said.

The Bharatiya Mazdoor Sangh, the trade union affiliate of the RSS, cautioned that trade unions needed to be consulted on certain matters, including the FDI policy, and the “plus and minus” of its impact on the economy.
Welcome move

The proposed increase in FDI in media and animation services is a welcome development, said Jehil Thakkar, Partner, Deloitte India.

“Greater investment in this sector is key to taking advantage of the opportunities created by the drop in data charges.

While one will need to see how this gets implemented, India has the potential to become a global animation and visual effects hub, which will create more employment as well, ” he said.

Source: thehindubusinessline.com- July 05, 2019

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More foreign clothing brands may hit the shelves

The Indian consumer will certainly benefit with more international label

Consumers may get a wider choice in international apparel brands with Union finance minister Nirmala Sitharaman proposing to ease local sourcing norms for foreign direct investment (FDI) in single-brand retail. But the move, according to industry sources, could hurt the local manufacturers.

“The mandatory requirement of local sourcing of items for foreign brands investing in India will further be reduced. While this is a boost to FDI, it is contradictory to the Make In India push. The Indian consumer will certainly benefit with more international labels. However, it will hurt local manufacturers,” said Rahul Mehta, president and chairman, Clothing Manufacturers’ Association of India (CMAI).

While the Union Budget has a total provision of Rs 4,831.48 crore for textile sector, there were no major industryspecific incentives announced. Traditional textile artisans and craftsmen will also be nefit from the increased allocation for the development of handloom, handicraft, wool, silk, jute and powerloom sector. “The allocation has also been increased for skilling in textiles, which will benefit the industry in a longer run,” said Sanjay Jain, chairman, Confederation of Indian Textile Industry (CITI).

“The budget allocation has gone down from Rs 6,943.26 crore in financial year 2018-19. We expected more allocation for technology upgradation fund (TUF) against the Rs 700-crore that has been announced because the obligations for the same run into a few thousand crores.,” added Jain.

Certain indirect benefits that have been announced in the Union Budget could help boost consumption. “The 2% interest subvention for MSMEs for incremental and new loans along with the proposal to widen the turnover limit of Rs 250 crore to Rs 400 crore for lower rate of corporate tax at 25% may increase consumption,” said Mehta.

Textile and apparel industry, which employs some 10 crore people in India, also expected more measures to safeguard domestic industry.

Source: timesofindia.com- July 06, 2019

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Budget 2019-20: Textiles allocation reduced, FDI norms for single brand retail relaxed

Finance Minister Nirmala Sitharaman presented her maiden budget in Modi 2.0 government. However, the textiles sector seems to have been low on her priority list as the Budget allocation for textiles has been reduced to Rs 5831.48 crore in fiscal 2019-20 from Rs 6,943.26 in the last fiscal.

Analysis of Demand of Grants for Textile Sector in Budget 2019-20

Particular	2017-18 (Autual)	2018-19 (Revised)	2019-20 (Budget)	% Change (2019-20 to 2018-19)
		In Rs Crore		
Total-Establishment Expenditure of the Centre	72.51	78.36	82.00	4.6%
Central Sector Scheme/Project				
Amended Technology Upgradation Fund Scheme (ATUFS)	1,904.95	622.63	700.00	12.4%
Procurement of Cotton by Cotton Corporation under Price Support Scheme	102.68	924.00	2,017.57	118.4%
Total-National Handloom Development Programme	468.98	400.59	456.80	14.0%
Total-National Handicraft Development Programme	217.06	240.61	286.17	18.9%
Total-Integrated Wool Development Programme	29.14	5.30	29.00	447.2%
Total-Development of Silk Textiles	542.50	600.61	740.00	23.2%
Total-Development of Jute Industries	149.18	28.04	34.55	23.2%
Total-Powerloom Promotion Scheme	114.91	106.18	159.08	49.8%
Textile Infrastructure				
Scheme for Integrated Textile Parks (SITP)	40.00	20.00	20.00	0.0%
Remission of State Levies (ROSL)	1,830.57	3,663.85	-	-100.0%
Total-Textile Infrastructure	**1,914.36**	**3,729.83**	**58.55**	**-98.4%**
Research and Capacity Building				
Integrated Scheme for Skill Development	100.00	42.00	100.50	139.3%
Technology Mission on Cotton	-	0.01	0.01	0.0%
Technology Mission on Knitwear	-	0.01	0.01	0.0%
Technology Mission on Technical Textile	-	0.01	0.01	0.0%
Total-Research and Capacity Building	**151.72**	**93.99**	**142.24**	**51.3%**
Total-North East Textiles Promotion Scheme	259.80	112.60	125.00	11.0%
Total Central Sector Scheme/Project	**5,855.28**	**6,864.38**	**4,748.96**	**-30.8%**
Other Central Sector Expenditure	**(11.14)**	**0.52**	**0.52**	**0.0%**
Total Budget Allocation	**5,916.65**	**6,943.26**	**4,831.48**	**-30.4%**

Total textile infrastructure like SITP has been reduced from Rs 3729.83 crores to Rs 58.55 crores. What's more there has been a reduction in custom duty from 5 per cent to 2.5 per cent on import of raw materials under 5101 and 5105 (wool fibre and wool tops).

Moreover there has been an increase in customs duty from 0 to 20 per cent for water blocking tapes for manufacture of optical fiber cables. Reacting to the budget Sanjay Jain, Chairman, CITI says, "It's neutral and a non event."

Relaxation of FDI in single brand retail

The FM has proposed further relaxation of foreign direct investment (FDI) norms in single brand retail sector toBudget 2019 20 Textiles allocation reduced FDI norms for single brand attract more overseas investments.

This assumes special significance as several foreign entities had raised concerns over the mandatory local sourcing norms from India. This included the high-end technology companies who had expressed their reluctance to procure goods from India due to the difficulty in meeting the 30 per cent condition.

The Department of Promotion of Industry and Internal trade had mooted a proposal earlier this year to ease these norms. According to that proposal, these relaxations would allow retailers more time to comply with this regulation.

The proposal also sought permissions for such firms to start their online operations even before setting up brick-and-mortar shops, provided they are able to attract over $1million of FDI. However, the proposal also mandated these firms to set up their brick-and-mortar shops within two years of starting their online sales.

Tarun Pathak, Research Director at Hong Kong based Counterpoint Research feels easing rules in single brand retail is likely to help many foreign companies to expand their operations by setting their own stores in the country.

Focus on promoting Khadi globally

The government has also focused on promoting Khadi globally, urging its missions abroad to come up with ideas to project Khadi as an employment generation solution and not merely a garment.

The Budget also announced a 2 per cent interest subvention for MSME and corporate tax reduction to MSMEs upto Rs 400 crores. Labour laws have been simplified and restructuring of power distribution has been proposed. Also the formation of National Research Foundation has been announced in the Budget.

As a part of the NDA government's focus on bringing micro, small and medium enterprises (MSMEs) under the formal economy's fold, a payment platform for the MSMEs will be set up. This comes in the backdrop of the government's plan to start an e-commerce platform on the lines of Amazon and Alibaba to sell products from MSMEs and the Khadi and Village Industries Commission.

Given its focus on MSMEs, the government has also announced a pension scheme for 30 million small traders, recognising the plight of shopkeepers, small traders and the self-employed hurt by the November 2016 decision to demonetize high-value currency notes, and the much-debated roll-out of the goods and services tax (GST) in July 2017.

All small shopkeepers and self-employed persons as well as the retail traders with GST turnover below Rs1.5 crore and age between 18-40 years, can enrol for this scheme. The scheme would benefit more than 3 crore small shopkeepers and traders.

Reacting to the Budget the Clothing Manufacturers Association of India (CMAI) stated it is a mixed bag for the textile and apparel industry. Rahul Mehta, President, CMAI, stated that the extension of lower rate of 25 per cent corporate tax with an annual turnover up to Rs 400 crores is a welcome step.

Currently, this rate is only applicable to companies having annual turnover up to Rs 250 crore. Moreover the infusion of Rs 70,000 crore capital into public sector banks will ease the current credit squeeze.

Also, Rs 350 crore allocated for 2 per cent interest subvention for all GST-registered MSMEs on fresh or incremental loans will give a big thrust to MSMEs. Considering that over 80 per cent of the domestic apparel industry is in the MSME sector, all these measures could provide a boost to the sector.

Source: fashionatingworld.com- July 05, 2019

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Budget 2019-20: Mixed bag for textile & apparel industry

Union Budget 2019-20 presented by finance minister Nirmala Sitharaman in Parliament today is a mixed bag for the textile and apparel industry, according to people from the industry. While various steps in the budget like reduction in corporate tax will boost the domestic sector, relaxing local sourcing norms for FDI in single brand retail can be detrimental.

“The extension of lower rate of 25 per cent corporate tax with an annual turnover up to ₹400 crores is a welcome step. Currently, this rate is only applicable to companies having annual turnover up to ₹250 crore,” Clothing Manufacturers Association of India (CMAI) president Rahul Mehta said.

“The infusion of ₹70,000 crore capital into public sector banks will ease the current credit squeeze. Also, the ₹350 crore allocated for 2 per cent interest subvention for all GST-registered MSMEs on fresh or incremental loans will give a big thrust to MSMEs. Considering that over 80 per cent of the domestic apparel industry is in the MSME sector, all these measures could provide a boost to the sector,” Mehta added.

On the other hand, Mehta stated that while details have not been announced, the relaxing of local sourcing norms for FDI in Single Brand Retail can be detrimental for the growth of the domestic apparel manufacturing industry. He felt that this move could work against the Government’s drive towards Make in India. “This will however encourage FDI in retail.”

The Southern India Mills’ Association (SIMA) chairman appreciated the announcement of One Nation One Grid power sector tariff and structural reforms.

He stated that the textile industry being the power intensive industry and facing problem of stiff competition in the global market would greatly benefit with the proposed reforms addressing the barriers like cross subsidy surcharges, undesirable duties on open access and captive power generation.

He stated that allocation of ₹700 crore for Amended Technology Upgradation Fund Scheme is very much on lower side as the total pending TUF subsidy under various TUF schemes amounts to around ₹10,000 crore.

Apparel Export Promotion Council (AEPC) welcomed the proposed procedural simplifications like interchangeability of PAN and Aadhaar, simplified single monthly return, fully automated GST refund module and the electronic invoice system. “The industry hopes to witness a reduction in the compliance burden following these measures,” AEPC said in a press release.

“The industry today is faced with sever working capital shortage, due to long pending ROSL dues, difficulties in getting bank credits and GST refund blockages. We hope that the ₹70,000 crore proposed to be provided to PSBs will ease up the working capital credit flows,” the release added.

Welcoming the budget announcement regarding formation of a committee with government and private stakeholders to suggest action to move forward on women development.

Indian Texpreneurs Federation (ITF) convenor Prabhu Dhamodharan said, “Increasing the participation of women in workforce is one of the top most priorities of our country. The textile and apparel industry, which has around 40 per cent women workforce, can be part of this mission and contribute more towards women development. ITF will be keen to work on this mission.”

ITF also welcomed the allocation of ₹350 crore for 2019-20 towards 2 per cent interest subvention scheme to benefit around 20 per cent of MSMEs registered under GST.

Mufti CEO Vipul Mathur picked two positive aspects from the Budget. “With labour also forming a key component of the retail sector, replacing multiple labour laws with a set of four labour codes will streamline processes, ensure standardisation and uniformity towards operations. They will provide security, better industrial relations and above all better health and working conditions for workers, who are the very backbone of what this industry has based its foundation on.

“Secondly, one of the biggest highlights of the budget is the widening of the lower tax slab, that now extends to companies with an annual turnover of ₹400 crore. This is highly important for the corporate sector as it will now cover almost all companies. With most of these companies facing hindrances with respect to their tax rates, this is a welcome boon to the industry as they will be able to operate in a more seamless manner."

Sanjay Sethi, co-founder & CEO at ShopClues terms the budget to be well-calibrated comprising growth-oriented measures with special focus on attracting global and domestic investments and ease of doing business for start-ups. "This will certainly lead to infrastructure development, digital empowerment, and create more jobs. Capital gain exemptions for start-ups will further boost investments in the economy.

"The government's vision to make India a $5 trillion economy in the next few years is welcome and doable with industry participation. Announcements of easing sourcing norms in Single Brand Retail will give further boost to domestic manufacturing and job creation."

Source: fibre2fashion.com- July 05, 2019

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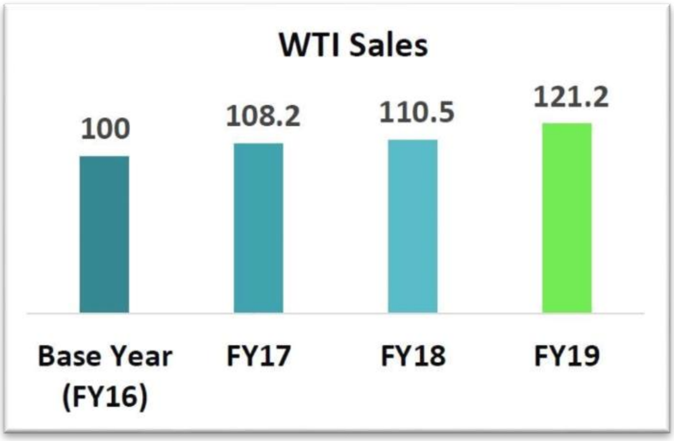
Overall sales up 10% in FY19: Wazir Textile Index

In FY19, overall sales increased by 10 per cent as compared to FY18, according to the just released Wazir Textile Index (WTI) – FY19. There has been a revival in the EBITDA with an increase of 10 per cent in FY19 compared to the previous fiscal. Raw material cost and employee cost saw an increase of 9 per cent and 8 per cent respectively.



Revenue for majority companies witnessed growth, while EBITDA margins remained stagnant, WTI showed. SRF has shown the highest sales growth of 41 per cent, followed by KPR Mill with 19 per cent. However, Indo Rama Synthetics witnessed a decline of 25 per cent in their sales.

Vardhman had the highest increase in EBITDA margin of 3 percentage points while Indo Rama Synthetics had the highest decline of 8 percentage points.

India's real GDP has grown by 7.2 per cent in FY19 as compared to FY18. In comparison, average index of industrial production (IIP) for apparel increased significantly by 13 per cent in FY19 as compared to FY18, while that of textiles showed a marginal increase of 1 per cent.

Average wholesale price index (WPI) for textiles increased by 4 per cent in FY19 as compared to FY18, while that of apparel increased by 1 per cent.

After a negative growth in the first half of the financial year, the textile and apparel exports have shown a robust growth of 5 per cent in the second half of the financial year, according to WTI.

Apparel exports witnessed a degrowth of 3 per cent in FY19 as compared to FY18. After a decline of 16 per cent, apparel exports revived in H2 FY19 with a growth of 12 per cent as compared to H2 FY18.

Exports of all other categories have grown in FY19 as compared to FY18. Yarn exports witnessed the highest growth of 12 per cent. The EU, the US and the UAE remain the top export destinations for India's textile and apparel products with a combined share of 54 per cent.

Average raw material prices increased in FY19 as compared to the previous fiscal. The average price of raw cotton rose by 9 per cent, while that of VSF and PSF increased by 5 per cent and 22 per cent respectively.

The average price of cotton yarn, PV yarn and PC yarn also witnessed an increase of 12 per cent, 7 per cent, and 8 per cent, respectively in FY19, the WTI showed.

Source: fibre2fashion.com- July 05, 2019

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Apparel industrialists disappointed

President of Tirupur Exporters' Association Raja M Shanmugham said, "We expected that the central government would either reduce or withdraw GST on job working knitwear units as they were struggling. But the budget did not have any mention on it.

The industry has set an ambitious target in annual export and domestic turnover of Rs 1crore, but the government did not make any positive announcements for achieving it." "Textile industry is one of largest industries in providing employment in the country. But the government has failed to give needed attention to it," he added.

President of Tirupur Exporters and Manufacturers Association SP Muthurathinam said, "The MSMEs were backbone of Tirupur apparel cluster as they constitute 90% of the cluster. Moreover, this region hosts majority of spinning mills in the country. The government should have given proper attention to the cluster."

Meanwhile, Apparel Export Promotion Council vice-chairman A Sakthivel welcomed various announcements. "The government has extended 25% corporate tax cut from cap of Rs 250crore turnover to Rs 400crore," he said.

Source: timesofindia.com- July 06, 2019

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Branded apparel sales up 5-10% in April-June qtr on aspirational demand

Unbranded wear lags despite low price point; industry calls for standardisation, as has been achieved in auto sector

Branded apparel sales boosted to report 5-10 per cent growth in the April–June quarter as manufacturers advanced "end-of-season" said by two weeks.

Unlike previous years when branded apparel makers began annual "end-of-season" sale by June end, this year the seasonal practice started mid-June. So, this periodic sale volume would reflect in the quarterly performance for the April–June quarter.

"Overall sentiment in branded apparels has turned positive, boosting sales in the April–June quarter over the same period last year. We estimate 5-10 per cent surge in business volume and proportionate rise in turnover for branded apparel makers during April–June quarter," said Rahul Mehta, President, Clothing Manufacturers Association of India (CMAI).

Apparel sales in April and May, however, remained sluggish, but bounced back in June. Branded apparel makers fix product price as per input cost which varies based on use of fabric, stitches, chains and styles. Unbranded clothes are cheaper by 50-60 per cent.

Kewalchand P Jain, Chairman, Kewal Kiran Clothing Ltd, the producer of Killer and other leading denim brands in India, emphasised the need for standardisation in apparels, like automobiles.

"Automobile and footwear industries have successfully standardised their products, which apparel and textile producers need to follow. Standardisation would further boost sales of branded apparel with narrow in differential pricing. To stand out, however, apparel makers need to focus on unique designs, stiches and washes from time to time to offer differentiated pricing and improve realisations," said Jain.

All distribution channels such as large format stores, MBOs (multi branded outlets), distributors and EBOs (exclusive branded outlets) have major role to play in bringing standardisation in the organised branded apparel market in metros, large cities and smaller cities as they are the face of the consumers and develop direct relationships with them. Brands are equally responsible for bringing standardisation in their offerings.

Data compiled by consultancy firm Wazir Advisors show a majority of branded apparel makers including Aditya Birla Fashion & Lifestyle, Future Lifestyle Fashions and Shoppers Stop have reported a growth in operating profit margins during FY2019 over FY2018.

As French menswear brand Celio's Chief Executive Officer Satyen P Momaya says, "Increase in sales turnover is a combination of store growth and expansion. Our store growth has been between 0-6 per cent and overall growth is better."

A majority of branded apparel and garment manufacturers are focusing on expanding their business through fresh capital infusion and store opening to cater to rural aspirations.

“We are exploring new markets and are on an expansion mode,” said Mayank Jain, Marketing Head, Monte Carlo.

Mehta forecasts the uptrend in branded apparel sale to continue with revival in the monsoon rainfalls and expectation of an upsurge in rural economy.

Source: business-standard.com- July 04, 2019

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TN CM flags off investments worth Rs 2515 crore in state

The Chief minister laid the foundation stones for a variety of manufacturing establishments that included American wind-blade manufacturer for wind energy projects TPI Composites.

Tamil Nadu Chief minister Edappadi K Palaniswami today flagged off commercial production of three factories and laid the foundation stones for 13 new projects in state industrial parks and individual establishments, signalling inflow of Rs 2515 crore in committed and realised investments pegged to generate 9304 jobs in the state.

A state release said Palaniswami inaugurated projects related to pump manufacture for waste water management of Indo-German JV EKKI-Homa, electronics manufacturer Syrma Technologies and concrete block maker Renaatus Procon at a total investment of Rs 140 crore to create 3350 jobs.

The Chief minister laid the foundation stones for a variety of manufacturing establishments that included American wind-blade manufacturer for wind energy projects TPI Composites.

TPI had earlier said its Chennai factory would supply to Vestas Wind Systems through a multi-year supply agreements.

The investments unveiled had a share of developmental projects in the hinterlands too: Mothi Spinners is opening fabric and yarn plants at an investment of Rs 370 crore in Thiruchengode and Goundampalayam in Namakkal, Erode, while SP Apparels is setting up cotton yarn factories in Erode, Salem, and Coimbatore districts.

The other projects include Galvano Track, component maker for heavy vehicles, autotmotive components and steel factories.

Thirteen of the 16 projects unveiled on Thursday were first announced at the Tamil Nadu Global Investors Meet 2019, which raked in over Rs 3 lakh crore in investments and promised jobs to 10.5 lakh people.

Source: economictimes.com- July 05, 2019

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