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INTERNATIONAL NEWS

China Nose-Dived From Top-Supplier Status in March

As the American economy hit the skids in March, apparel imports fell 15 percent to $5.18 billion compare to a year earlier, led by a 52 percent decline from China to $572.26 million, the U.S. Commerce Department's Office of Textiles & Apparel (OTEXA) reported Tuesday.

For the first quarter of 2020, U.S. apparel imports were down 12.07 percent to $17.85 billion from the same three months in 2019, according to OTEXA. China's shipments fell 43.12 percent to a value of $3.27 billion in the period.

This brought China down to the No. 2 supplier in the month and quarter, seemingly for the first time in decades, surpassed by Vietnam in both cases. Imports from Vietnam, which has suffered relatively little from the coronavirus pandemic healthwise or in factory closures, increased 7 percent March to $998.19 million and rose 4.5 percent in the quarter to $3.38 billion.

Among other major Asian suppliers, imports from Bangladesh, where factories closed for periods of time, declined 1.7 percent to $523.9 million for the month, but were up 6.73 percent to $1.68 billion in the quarter. Shipments from Cambodia rose 19.9 percent in the month to $243.21 million and were up 23.22 percent for the quarter to $1.15 billion.

India, where factories have also closed, saw its imports to the U.S. fall 6 percent in March to $380.89 million and drop 1.5 percent to $1.14 billion in the quarter. Imports from Indonesia declined 9.5 percent in the month to $365.53 million and fell 4.42 percent to $1.15 billion in the year to date, while Pakistan's shipments were up 1.6 percent in March to $118.69 million and rose 0.5 percent in the quarter to $357 million.

Among the major Western Hemisphere suppliers, imports from Honduras dropped 21 percent to $190.61 million in the month and fell 5.64 percent year to date to $567 million, while shipments from Mexico declined 19 percent in March to $226.34 million and dropped 14.07 percent to $667 million in the quarter. Imports from El Salvador decreased 8 percent in the month to $143.31 million and dipped 1.1 percent to $414 million in the quarter.

Also on Tuesday, the U.S. Census Bureau and the U.S. Bureau of Economic Analysis (BEA) announced that the goods and services deficit was $44.4 billion in March, up $4.6 billion from $39.8 billion in February.

"The declines in March exports and imports were, in part, due to the impact of COVID-19, as many businesses were operating at limited capacity or ceased operations completely, and the movement of travelers across borders was restricted," BEA said.

March exports were $187.7 billion, $20 billion less than February, while March imports were $232.2 billion, $15.4 billion less than February.

For the quarter, the goods and services deficit decreased $28.1 billion, or 17.8 percent, from the same period in 2019. Exports were down $21.7 billion, or 3.5 percent, and imports declined $49.7 billion, or 6.4 percent.

Source: indianexpress.com – May 06, 2020

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USA: Malls Reopen as COVID-19 Infections Seen Spiking to 200,000 Daily

Malls are starting to reopen in preparation for retail stores to follow suit, but a lot remains to be done to get consumers comfortable with the idea of in-person shopping again.

Simon Property Group Inc. began opening 49 malls in some states where lockdown restrictions were eased. Those restrictions had many malls and retailers shuttered since mid-March to help curtail the spread of the coronavirus outbreak. Now the challenge is to determine how best to maintain health, safety and social distancing among both retail workers and shoppers.

Curbside delivery, it seems, may be a go-to across the board.

In its own effort to get business going again, Chico's FAS Inc. started offering curbside delivery for stores at strip malls, as well as a new shop-by-appointment service at its brands. At Tapestry, CEO Jide Zeitlin is adapting the curbside delivery option to storefront delivery for its reopened mall-based locations.

Inside stores, retailers are taking measures to improve cleanliness and communication about the new way forward for shopping. Contactless payments will also be on the rise as retailers look to limit touch points.

Macy's Inc. CEO Jeff Gennette said last week that stores would open on a phase-in basis in accordance with state and local law requirements. The company will adopt enhanced cleaning measures, add signpost reminders for shoppers to keep their distance, as well as install protective plexiglass at points of sale where social distancing could be more challenging.

Reopening report

Malls that reopened over the weekend had reduced hours so centers could be re-sanitized before opening again the next day. Many had signage on the floors to direct one-way foot traffic, and some limited access in and out through one or two entrances. Food court layouts have already been redone in some locations to increase the space between tables and seats. Some, such as the Greenwood Park Mall in Indiana, a Simon Property center, had security guards posted at the entrance to monitor head count to keep track of density within the mall, and offered face masks and hand sanitizing wipes free of charge.

However, shoppers seemed to be largely missing.

At the North Georgia Premium Outlets, an NPR report said there were no lines upon opening and few cars in the parking lot. The story was similar for the Mall of Georgia in Buford, according to local reports, with just a few dozen cars and a cluster of shoppers here and there.

At the upscale fashion and luxury NorthPark Center in Dallas, Gabriella Santaniello, founder and CEO of fashion industry research firm A Line Partners, said only about 18 percent of its stores were open.

"I saw workers wiping down escalator handrails. People were social distancing and wearing face masks. Some retailers were requiring the use of hand sanitizers before you can enter their stores, and others had greeters reminding you to socially distance," she said. "At the registers, no cash was allowed, so you had to use credit cards or a digital payment app on your phone. I saw tape on the floors telling you where to stand if you are on line and retailers were also monitoring how many people they were allowing into a store."

Neiman Marcus was open at NorthPark over the weekend, but had plans to open Monday limiting operations to just its personal shopping service.

Urban Outfitters and its sister nameplates Free People and Anthropologie were also open at the mall, with some shoppers inside the stores. While Urban had plexiglass installed at its registers, Santaniello said, the others did not.

At Finish Line—which had released five new Air Jordan retro styles on Saturday—the traffic story was a different one.

"I was on a line of 25 people waiting to get in and we were six feet apart. They would allow only 35 people in the store at a time, which sounds like a lot but it's not really because this store is massive," Santaniello said.

Among the retailers that were open at NorthPark this weekend, fitting rooms were closed, which could thwart some sales for customers coming back to stores largely because of the need to try product on for size.

Will shoppers shop? And will infections rise?

While the slow rollout of retail has some optimistic about getting businesses back on track, there are still concerns reopening could see COVID-19 infections increase.

Respondents to a recent Cowen & Company survey indicated subdued confidence in returning to stores. Just 5.8 percent said they would feel safe returning to stores. Others who were recently laid off had muted consumer spending intentions, saving what financial resources they have for essentials like housing costs and groceries.

Similarly, a report from Coresight Research, based on a U.S. consumer survey conducted on April 29, showed consumers are keen to remain sheltered in place over fears of the virus. Roughly 73 percent said they expect to avoid public places after lockdowns lift, up from two-thirds one week ago. And half of all consumers expect to avoid shopping centers and malls after the lockdowns end.

"We saw significant week-over-week increases in expected avoidance at almost all types of places," the report noted.

And while President Trump wants to restart the economy by easing restrictions and opening retail locations, some states that have relaxed their shelter-in-place mandates have found it hard to enforce social distancing or require residents to wear face masks.

Texas began allowing restaurants to offer a dine-in option, provided they adhere to a 25-percent-only capacity rule, and it made a similar concession for theaters and shopping malls. Since then, however, Texas has also reported four consecutive days of more than 1,000 new COVID-19 cases, whereas it only had two days in April where the new case count was that high.

Even in states like New York, where restrictions are still in place at least through May 15, temperature in the high 70s on Saturday saw many New Yorkers headed to sections of Manhattan's Central Park, where New York City officials dispensed police officers to ensure visitors observed the social distancing mandate. Challenges in a city so densely populated will be great upon reopening, and the infection rate will have to be closely monitored.

While some Americans may start to feel antsy in the midst of extended quarantines, stay-in-place orders could end up extending a little longer. A draft U.S. government report that circulated Monday and was first reported by the New York Times, said new confirmed coronavirus infections in the U.S. will surge to 200,000 daily by June (up from 25,000 currently), with a daily death toll climbing to more than 3,000 on June 1, nearly double what it is now.

A Washington Post report said the White House and the Centers for Disease Control and Prevention (CDC) have "disavowed' the report even though the draft, which had been turned into a slide deck, reportedly included the CDC's logo.

Source: sourcingjournal.com- May 06, 2020

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Joint Statement of USTR Robert Lighthizer and UK Secretary of State for International Trade Elizabeth Truss

Today, United States Trade Representative Robert Lighthizer and United Kingdom Secretary of State for International Trade Elizabeth Truss announced the formal launch of trade agreement negotiations between the U.S. and the UK.

In light of the ongoing global pandemic caused by Covid-19, the first round of negotiations will be conducted virtually, with U.S. and UK negotiators engaging in discussions over the next two weeks in nearly 30 different negotiating groups covering all aspects of a comprehensive trade agreement.

Both parties agree that a Free Trade Agreement would contribute to the long-term health of our economies, which is vitally important as we recover from the challenges posed by Covid-19.

An FTA is a priority for both countries and we share a commitment to secure an ambitious agreement that significantly boosts trade and investment. We will undertake negotiations at an accelerated pace and have committed the resources necessary to progress at a fast pace.

United States Trade Representative Lighthizer said: “Under the leadership of President Trump, the United States will negotiate an ambitious and high-standard trade agreement with the UK that will strengthen our economies, support good-paying jobs and substantially improve opportunities for trade and investment between our two countries. This will be an historic agreement that is consistent with U.S. priorities and the negotiating objectives established by Congress in U.S. law.”

UK Secretary of State for International Trade Elizabeth Truss said: “The US is our largest trading partner and increasing transatlantic trade can help our economies bounce back from the economic challenge posed by Coronavirus. We want to strike an ambitious deal that opens up new opportunities for our businesses, brings in more investment and creates better jobs for people across the whole of the country. As the Prime Minister has said, the UK is a champion of free trade and this deal will make it even easier to do business with our friends across the pond.”

The US negotiating team will be led by Dan Mullaney, Assistant U.S. Trade Representative for Europe and the Middle East; and the UK negotiating team will be led by Oliver Griffiths, Director for US Negotiations at the Department for International Trade. Over 200 staff from U.S. and UK government agencies and departments are expected to take part in the negotiations.

An opening plenary today will kick off the detailed discussions, followed by multiple virtual meetings from Wednesday 6 May to Friday 15 May. The negotiations build on the work conducted through the U.S.-UK Trade and Investment Working Group, which was established in July 2017, partly to lay the ground work for these negotiations.

A comprehensive U.S.-UK trade agreement will further deepen the already very strong trade and investment ties between the United States and UK by creating new opportunities for American and UK families, workers, businesses and farmers through increased access to the other's market.

The United States and the United Kingdom are the first and fifth largest economies in the world, respectively. Total two-way trade between the two countries is already worth about $269 billion a year. Each country is the other's largest source of foreign direct investment, with about $1 trillion invested in each other's economies. Every day, around one million Americans go to work for UK firms, while around one million Britons go to work for American firms.

The U.S.-UK trade agreement will be a modern agreement designed for the highly advanced and sophisticated U.S. and UK economies. Both governments are committed to maintaining high levels of health, safety, and environmental protection that will serve as a model free trade agreement for the world.

Source: ustr.gov- May 05, 2020

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UK: ITA virtual trade show wants to reconnect the textile and apparel value chain

The World Textile Information Network (WTiN) based in Leeds, UK, is organising a virtual trade show from 1st to 31st October 2020 as a response to the impact of the Covid-19 pandemic on the textile and apparel industry, providing an opportunity in 2020 for companies to showcase innovation in manufacturing technology and materials.

“With the recent postponement of ITMA Asia and CITME, Drupa and India ITME exhibitions to 2021, WTiN has moved rapidly to develop the Innovate Textile & Apparel (ITA) virtual trade show proposition. We are now in discussions regarding support from key industry organisations and expect to make further announcements shortly,” said WTiN managing director Mark Jarvis in a press release on Monday.

The ITA virtual trade show will focus on technology and materials, featuring manufacturers of textile technology ranging from manmade fibre production to garment assembly as well as material producers for anything from sportswear and personal protective equipment to smart fabrics. At virtual booths, companies can exhibit videos of their production processes as well as technical specifications for fabrics.

Visitors to the virtual trade show can visit the booths and explore new technological and material innovations. They can make appointments to meet with the representatives they are interested in or use a chat option to communicate with exhibitors. In this way, visitors can network with key players across the industry and enter into new partnerships.

Like any physical trade show, the Innovate Textile & Apparel virtual trade show will also host online presentations from industry leaders who bring an informed perspective to market developments. In addition, exhibitors will also host seminars and roundtable discussions.

To make them and the trade show accessible to as many participants from across the globe, the content will be available in multiple languages including Chinese, Japanese, Spanish and Turkish. Video presentations for conferences, seminars and roundtables will also have subtitles in these languages, promises Jarvis.

The event builds on the success of WTiN's Innovate Textile & Apparel conferences, the latest one currently taking place online from 5th May to 30th June 2020, focusing on the principles of Industry 4.0 in textile and apparel manufacturing, the impact of smart and novel textiles and digital transformation business strategies. Interested exhibitors and visitors for the ITA virtual trade show can now register to receive further information on the ITA website.

Source: fashionunited.in- May 06, 2020

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US denim imports decline in March

US imports of denim decreased significantly in the first three months of the year. For the year until February, US companies imported 14.32 per cent less blue jeans – of which 97 per cent are denim – at $497.08 million.

The downturn was driven by China's 63 percent drop to $55.77 million, with factories shut down as the nation swept COVID-19. In the first two months of the year, the shipments of Mexico's largest denim supplier declined by 27.2 per cent to $ 91.98 million.

Certain suppliers in the top 10 that reported a decline in the era included Indonesia with a decline of 34.92 percent to $9.17 million and Nicaragua with decline of 2.99 percent to $13.85 million.

In the period there were winners in denim import sourcing, led by Bangladesh, with an increase of 39.59 per cent to $90.13 million, and Vietnam, with an increase of 30.17 per cent to $65.25 million. This leapfrogged both countries in year-to-date importations of jeans over China.

Cambodia also reported a big gain in that time, with its exports to the US skyrocketing to $29.15 million from 111.48 per cent. Pakistan, Egypt and Sri Lanka also reported small gains among the top suppliers in the region.

Source: fashionatingworld.com- May 06, 2020

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Uzbekistan moves to lower cost of cotton for manufacturers

Cotton grown in Uzbekistan is to be sold at a rate pegged to prices on the New York Mercantile Exchange following a May 6 presidential decree in support of the textile industry.

The move toward a market-based price mechanism is expected to reduce the cost of raw cotton for textile companies by around one-tenth.

This effort is in line with a broader Uzbek government strategy of moving toward the production of more valuable exports, like fabrics and clothes, instead of simple raw cotton. According to official figures, there are more than 2,000 companies in Uzbekistan working in textiles, providing jobs for at least 365,000 people.

The value of textile exports in 2019 reached $1.9 billion, but that is nothing as compared to the ambition of gradually getting that figure to $15 billion.

President Shavkat Mirziyoyev said at a government meeting in April that he wants to see output of ready textile products increased four or fivefold in the coming five years. It was stated at that same meeting that $300 million in credits were being allocated through the government Reconstruction and Development Fund for textile enterprises in the Namangan, Samarkand and Tashkent regions for that purpose.

Amid other measures intended to ease cashflow for textile manufacturers, this week's decree has lengthened payment deadlines for raw cotton from 90 days to 150 days. The government has also committed to simplifying the process whereby producers get value-added tax rebates once they ship their goods out of the country.

As more raw material is parlayed toward domestic yarn production, the expectation is that raw cotton exports will accordingly be dropping to a minimal level over the coming year. The ambition is to dispense with raw exports altogether in the short term.

According to an April digest of Uzbekistan's cotton industry produced by the USDA Foreign Agricultural Service, Russia remains the most active buyer of Uzbek product, having imported 73 million square meters of cotton fabric in the first six months of marketing year 2019-20. Kazakhstan bought 10.3 million square meters in the same window of time. For the 28 EU members (now 27, following Britain's withdrawal), the collective volume of imports was 17.74 million square meters.

The last few months have seen some dramatic readjustments to a cotton industry that had long been in desperate need of reform.

In March, Mirziyoyev signed a decree ordering the abolition of the state-order system for cotton crops, in effect ending a decades-old arrangement that encouraged forced labor. As of this year, the quota for the production and sale of cotton has been scrapped, leaving farmers who rent land from the state free to cultivate alternative and more lucrative crops. This was hailed by international advisors as a "historic development."

Source: eurasianet.org - May 06, 2020

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Turkish exports to recover soon, trade minister says

Turkish exports have been shrinking due to a cut in demand in major markets but will soon start to recover, Trade Minister Ruhsar Pekcan said Wednesday.

"We will enter a process of recovery with the cooperation of our ministry, exporters and business world, and the support of our government," Pekcan said in a videoconference with the heads of the European Business Council of the Foreign Economic Relations Board (DEİK).

Noting that exports to European Union countries increased by 4.1% in the first two months of 2020, Pekcan said falling demand due to quarantine measures caused a decrease in exports.

Speaking on the FX shortage, Pekcan said Turkey will overcome this problem through the expansion of trade in local currencies among Turkic Council members.

Earlier on Monday, Treasury and Finance Minister Berat Albayrak said Turkey will take decisive steps regarding trade in the local currencies of countries with which it runs trade deficits while shoring up import regulations over the coming two months.

Trade conducted in local currencies will come to the fore in the coming period amid an attempt to ensure more balanced trading relations, Albayrak told the Sabah newspaper in an interview.

Noting that Turkic countries should prioritize agreements on bilateral and regional services, trade, investment and e-trade, Pekcan also urged these countries to act jointly for the effective use of railways in foreign trade during the period of the pandemic.

Source: dailysabah.com - May 06, 2020

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Nordstrom to close 16 stores, restructure in cost-saving push

Nordstrom to close 16 stores, restructure in cost-saving push

Apparel retailer Nordstrom said on Tuesday it would close 16 stores and restructure its operations in an effort to cut costs and weather the impact of the Covid-19 pandemic.

The company is restructuring its regions, support roles and corporate organization, which will save $150 million in costs, it said in a statement.

The retailer will also incur non-cash impairment charges associated with the store closures. In March, Nordstorm had suspended its quarterly dividend and pulled its 2020 outlook.

Source: cnbc.com- May 05, 2020

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USA: J. Hilburn Enters Into Bankruptcy Court Protection after April Layoffs

Men's online custom clothier J. Hilburn is under the protection of a federal bankruptcy court in Dallas after filing a pre-packaged, voluntary Chapter 11 petition.

The Dallas-based company laid off some staff last month and is expected to exit Chapter 11 with a new owner. The company has assets of up to $10 million, but owes more than that to creditors. Its largest creditor is Hong Kong-based TAL Group, which is owed nearly $6.6 million. Under the pre-packaged plan, a TAL subsidiary agreed to fund the bankruptcy, and presuming the bankruptcy court approves the reorganization plan and disclosure statement, TAL would become the 100 percent equity owner of Hilburn upon its exit from Chapter 11.

Founded in 2007 by Hil Davis and Veeral Rathod, the premise of Hilburn's business model was to re-engineer men's wear with custom-made clothes that fit, making it among the first in the direct-to-consumer channel to focus on a tailored collection for men. The two are no longer involved in the business.

Hilburn relies on an innovative supply chain that works with more than 11 mills and 10 factories to source fabrics and deliver a custom-made wardrobe in four weeks or less. Early on Hilburn touted a sustainable supply chain that included fair labor standards and a respect for the environment. Mill partners include Italian firms Trabaldo Togna, Reda, and Barberis.

Given it's custom offering, Hilburn prices aren't cheap. A Reda merino wool suit is offered at $998, with the sportcoat available separately for $750 and trousers at $248. Shirts run between $178 and $188, while a knit polo made of interlock jersey is $138.

Hilburn survived the 2008 Great Recession as a startup, and is still owned by a group of investors, many among the venture capital community. The VC group include Battery Ventures, Baseline Commerce Seed Fund and Bridgescale Partners. Their equity stake will be canceled once TAL becomes the new owner upon Hilburn's emergence from bankruptcy proceedings.

The company operates a Dallas Studio where customers can browse the current collection or work with personal stylists, in addition to showrooms in Boston, New York City, and Bellevue, Wash., all of which are temporarily closed due to the coronavirus pandemic. The Hilburn website says stylists are available to assist by phone or video for virtual appointments. The stylists work on commission, have their own client base and operate as an independent small businesses.

Hilburn is best known for tailored formal wear, custom suits and shirts. In recent years, it began adding more casual apparel, but still seemed to rely on its tailored collection business. A recent blog post from April 1 detailed its summer linen suiting, while a March 25 post offered timely inspiration for work-from-home looks. The post discussed the "need to look professional and well," pointing out comfortable easy-to-wear fabrics for shirts, along with lightweight knit jackets for the virtual sales call or meeting. It also noted Hilburn's more casual offerings, such as polos, chinos and even shorts.

Hilburn's filing comes in the first wave of fashion firms collapsing under liquidity crises exacerbated by the revenue-killing COVID-19 outbreak, which has claimed True Religion, J. Crew and, across the pond, Laura Ashley and Debenhams, as its victims.

Source: sourcingjournal.com- May 06, 2020

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Vietnam's cloth import down 10.9 pct in 4 months

Vietnam spent over 3.6 billion U.S. dollars importing cloth in the first four months of this year, posting a year-on-year decrease of 10.9 percent, according to the country's Ministry of Industry and Trade on Wednesday.

Between January and April, Vietnam imported 543,000 tons of cotton worth 893 million U.S. dollars, up 4.2 percent in volume and down 8 percent in value.

The country also spent more than 758 billion U.S. dollars importing 369,000 tons of yarn in the same period, down 2.1 percent and up 8.7 percent respectively.

In 2019, Vietnam poured over 13.3 billion U.S. dollars in importing cloth, up 4.4 percent on-year, nearly 2.6 billion U.S. dollars in importing cotton, down 14.8 percent and more than 2.4 billion U.S. dollars importing yarn, down 0.5 percent, according to the country's General Statistics Office.

Vietnam reaped roughly 32.6 billion U.S. dollars from exporting garments and textiles last year, up 6.9 percent against 2018, according to the office.

Source: xinhuanet.com- May 06, 2020

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Pakistan textile exporters bag new orders

All Pakistan Textile Mills Association (APTMA) says textile manufacturers in Pakistan have received new orders from different countries after the world slowly softened lockdown imposed to contain the pandemic.

These orders are a mix of new and ones which were put on hold and got temporarily suspended after the world imposed lockdown to contain the virus. Many global buyers, who had previously placed orders on hold, have now opted to take delivery. The receipt of new export orders, much earlier than expectation may, help in booking lower export losses than the initially estimated following the outbreak of COVID-19. Pakistan's textile industries had received additional export orders and were running over installed capacity following the outbreak of the virus in China in end of December 2019.

Around 30 per cent textile industries, including value-added ones like readymade garments – have resumed production in Pakistan after the government allowed export industries to return to work under the strategy to crate balance while dealing with economic and health crises.

It is, however, difficult to estimate the value of new export orders and those for which world buyers have started taking deliveries. As Pakistan was not impacted much by the Coronavirus outbreak, these orders may help Pakistan return to work earlier than estimated timelines.

Source: fashionatingworld.com- May 06, 2020

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Bangladesh: COVID-19 Continues to Rattle Global RMG Sector, Even Where Factories Reopen

Chaos continues to roil the global readymade garment industry, even as factories in certain countries are slowly coming back online despite the worsening coronavirus pandemic.

Garment workers in Bangladesh are continuing to protest for unpaid wages even as they return to work amid the continued nationwide lockdown, which has been extended to May 16 after the South Asian nation saw its highest single-day total of 665 new cases of COVID-19 infections on Sunday.

Some 2,000 workers from MHC Apparels in the Sreepur municipality of Gazipur remained seated at their workstations from “morning to afternoon” over the weekend as they demanded their salaries from the past three months, according to the Dhaka Tribune.

On Monday, garment workers flocked into the streets of Savar, just outside the capital city of Dhaka, expressing their abject distress at the significant loss of income.

“We are not getting wages for the last three months,” Abdur Rahim, a textile worker, told Reuters. “We are literally starving,”

The Bangladesh government has announced a $590 million aid package for exports-oriented factories to pay their workers, but garment manufacturers say the funds are not enough to ease their bottom lines as canceled and suspended orders lurch past $3 billion, according to the Bangladesh Garment Manufacturers and Exporters Association.

Already, nearly 2,200 clothing factories have applied for bank credits worth nearly 31.5 billion taka ($370 million) from bailout funds to pay workers, the Financial Express reported.

The number of confirmed cases now exceeds 10,000, the health ministry said, with an official death toll of 182, though some experts say the real numbers could be much higher in a country of more than 160 million due to a lack of testing and spotty access to an already overburdened healthcare system.

But Rubana Huq, president of BGMEA, says there's a "genuine misunderstanding" of the coronavirus crisis in Bangladesh.

"The cases are not that bad anymore; it's not even going up to the point that we would go up," she said in a video interview with Al-Jazeera on Monday. "I think what matters to us most is keeping the economy alive and rolling with the maximum safety guidelines in place."

The BGMEA says it has formed six committees to ensure member factories pass health and safety muster as the pandemic deepens. A spokesman told the news agency Bangladesh Sangbad Sangstha last week that it has inspected 147 factories to date and found 144 "satisfactory."

"The other three need improvements in terms of density," he said. The factories have been advised to implement immediate corrective actions before they can resume operations.

A total of 1,061 factories, out of BGMEA's 2,274 members, are now back in business, the spokesman added.

Despite evaporating orders from Western retailers, the economic pressure to reopen factories is clear: Bangladesh's $30 billion clothing sector employs 4 million people and accounts for 80 percent of the country's export earnings.

In an April survey of 159 garment workers by Brac University's James P. Grant School of Public Health in Dhaka, 47 percent said they were not receiving wages and felt uncertain about their employment status. Only one-quarter of respondents were on paid leave.

"Respondents reported the need for immediate cash and food support," Dr. Atonu Rabbani, associate professor of economics at the University of Dhaka and senior research fellow at Brac University, said in a statement.

With concerted government and corporate intervention, garment workers are forced to choose between disease and starvation. The Dhaka Tribune reported Tuesday, for instance, that eight garment workers in Savar tested positive for the novel coronavirus following another seven on Friday.

Health Minister Zahid Maleque has said, however, that factories that have resumed production will be shut down if a "significant number" of their workers are infected with the coronavirus, though he did not clarify what the number would be in a recent press briefing.

"COVID-19 has pushed the BGMEA into a difficult position to decide whether or not to close the factories," Shahidur Rahman, a professor of sociology in the department of economics and social sciences at Brac University, wrote in an op-ed in the Dhaka Tribune Tuesday. "On one hand, there has been a pressure from the suppliers to keep the factories open for the sake of survival of the business. On the other hand, trade unions and activists from around the world are worried of the lives of the garment workers and expect to close down the factories."

But Bangladesh isn't the only garment-producing country to reopen. Factories in Haiti, too, have thrown back their shutters after a four-week closure to blunt the spread of the contagion. Like their counterparts in Asia, Haitian workers have not received the wages they were promised, according to the Solidarity Center. Workers who were paid received only two weeks' wages a month late, causing "extreme hardship" in a country where garment workers' daily minimum wage is less than one-quarter of the estimated cost of living, the labor rights group said.

Factories in Haiti are required to operate at 30 percent capacity, with most workers scheduled for three days, a move that has them living on at least half of their usual salary. At least one factory—S&H Global at Caracol Industrial Park—is requiring workers to sign a document stating that they will take precautionary measures, such as wearing face masks and taking their temperatures, while at work, and agreeing that they are legally responsible for their illness if they fall sick.

In Haiti, the poorest country in the western hemisphere, the garment industry makes up between 80 percent and 90 percent of the country's exports, which totaled $1.6 billion in 2018, according to the World Bank.

In Cambodia, factories remained closed, though not out of choice. At least 180 garment factories—with 60 more "in the pipeline, according to the Garment Manufacturers Association in Cambodia (GMAC)—have applied for suspension because of cancelled orders from Western brands, affecting 150,000 workers.

"This will impact not only the workers but also the 2 million Cambodian family members who depend on them," the GMAC wrote in an open letter Tuesday.

"Cambodian manufacturers are already suffering from many cancellations and no new orders and cannot withstand any payment default," the letter said. "Payment terms can be discussed but no payment is not acceptable and we therefore appeal to your sense of decency to make good on your debt."

Fears of social unrest abound as the country's economic growth is predicted to fall from an annual 7 percent to 2.5 percent this year by the World Bank and minus 1.7 percent by the International Monetary Fund.

The government is also expected to lose millions in subsidies to unemployed or furloughed workers, even after slashing its partial payment to a much smaller sum than previously promised.

"The problem is when people are out of a job and hungry, the crime rate may surge as people resort to robberies and all that unfortunately may create another layer of social unrest," David Van, a senior associate at Platform Impact, a public-private partnership, told the Khmer Times on Monday.

Heng Sour, a spokesman for Cambodia's labor ministry, said last week that he expects a 50 percent to 60 percent decline in garment, footwear, and travel goods exports for the second quarter of this year compared with 2019.

"Cambodia has yet to receive any orders from buyers for both May and June, as well as for the foreseeable future," he said. "We can conclude that exports of garments and footwear will be hit hard in the second quarter this year."

With 750,000 workers, the garment industry is Cambodia's largest employer and contributes 40 percent of its gross domestic product. The nation exported $9.3 billion in clothing and footwear last year, according to the Ministry of Industry and Handicraft, a year-on-year increase of 11 percent.

Source: sourcingjournal.com- May 06, 2020

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NATIONAL NEWS

Explained: Why are Medium, Small, Micro Enterprises worst hit by Covid-19 lockdown?

The Covid-19 pandemic has left its impact on all sectors of the economy but nowhere is the hurt as much as the Medium, Small and Micro Enterprises (MSMEs) of India.

All anecdotal evidence available, such as the hundreds of thousands of stranded migrant workers across the country, suggests that MSMEs have been the worst casualty of Covid-19 induced lockdown. It has also been reported that just like the first relief package, called the PM Garib Kalyan Yojana, which was announced by the government on March 26, the second package, too, would primarily focus on the MSME sector.

A closer look at the anatomy of the MSME sector explains why MSMEs are so vulnerable to economic stress.

WHAT IT MEANS, HOW MANY, AND WHERE THEY STAND

CHART 1: DEFINITION OF MSME

Classification	Manufacturing Enterprise*	Service Enterprise*
Micro	Up to Rs 25 lakh	Up to Rs 10 lakh
Small	Above Rs 25 lakh to Rs 5 cr	Above Rs 10 lakh to Rs 2 crore
Medium	Above Rs 5 cr to Rs 10 cr	Above Rs 2 cr to Rs 5 cr

*Manufacturing Enterprise: investment in plant & machinery;
Service Enterprise: investment in equipment

CHART 2: ESTIMATED NUMBER OF MSMEs (IN LAKH)

Activity category	Rural	Urban	Total	Share
Manufacturing	114.14	82.50	196.65	31%
Trade	108.71	121.64	230.35	36%
Other services	102.00	104.85	206.85	33%
Electricity*	0.03	0.01	0.03	–
All	324.88	309.00	633.88	100%

*Non-captive electricity generation and transmission

How are MSMEs defined?

Formally, MSMEs are defined in terms of investment in plant and machinery (Chart 1). But this criterion for the definition was long criticised because credible and precise details of investments were not easily available by authorities.

CHART 3: ESTIMATED EMPLOYMENT IN MSME SECTOR (IN LAKH)

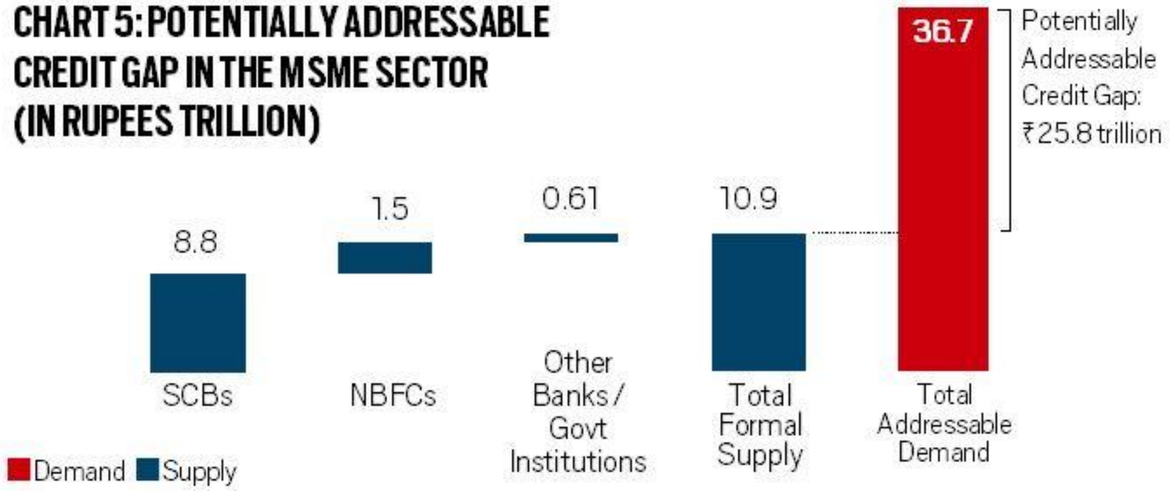
Broad activity category	Rural	Urban	Total	Share
Manufacturing	186.56	173.86	360.41	32%
Trade	160.64	226.54	387.18	35%
Other services	150.53	211.69	362.22	33%
Electricity*	0.06	0.02	0.07	–
All	497.78	612.10	1109.89	100%

*Non-captive electricity generation and transmission

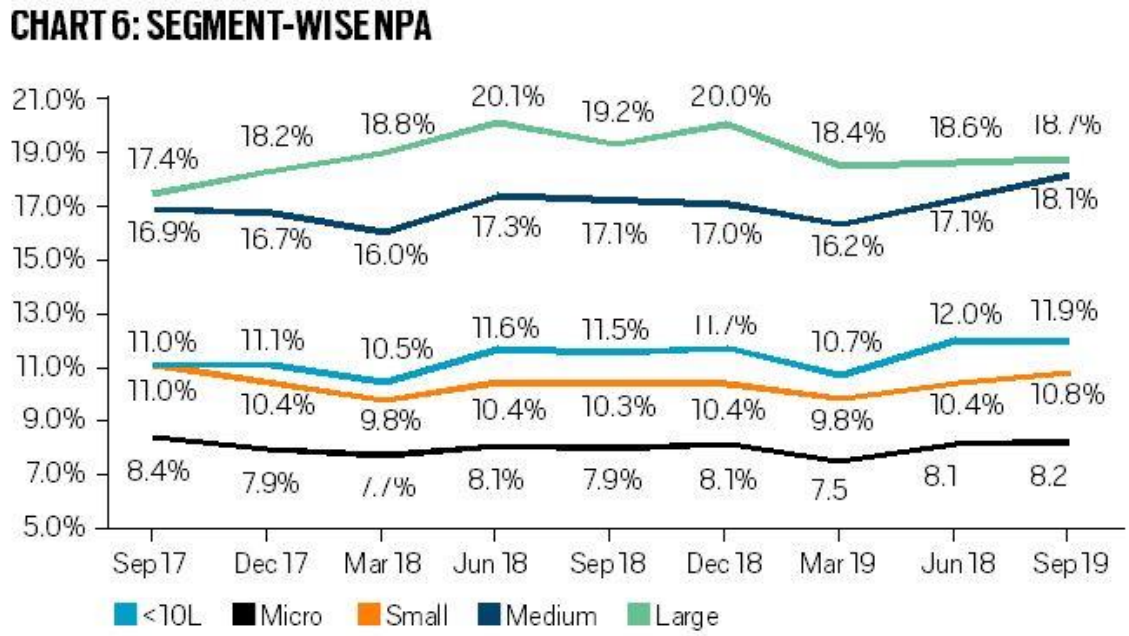
CHART 4: DISTRIBUTION OF ENTERPRISES CATEGORY-WISE (IN LAKH)

Sector	Micro	Small	Medium	Total	Share
Rural	324.09	0.78	0.01	324.88	51%
Urban	396.43	2.53	0.04	309.00	49%
All	630.52	3.31	0.05	633.88	100%

CHART 5: POTENTIALLY ADDRESSABLE CREDIT GAP IN THE MSME SECTOR (IN RUPEES TRILLION)



That is why in February 2018, the Union Cabinet decided to change the criterion to "annual turnover", which was more in line with the imposition of GST. According to the proposed definition, which is yet to be formally accepted, a micro enterprise will be one with an annual turnover less than Rs 5 crore; a small enterprise with turnover between Rs 5 crore and Rs 75 crore; and a medium enterprise with turnover less than Rs 250 crore.



How many MSMEs does India have, who owns them, and where are they situated?

According to the latest available (2018-19) Annual Report of Department of MSMEs, there are 6.34 crore MSMEs in the country (Chart 2). Around 51 per cent of these are situated in rural India. Together, they employ a little over 11 crore people (Chart 3) but 55 per cent of the employment happens in the urban MSMEs.

These numbers suggest that, on average, less than two people are employed per MSME. At one level that gives a picture of how small these really are. But a breakup of all MSMEs into micro, small and medium categories is even more revealing.

As Chart 4 shows, 99.5 per cent of all MSMEs fall in the micro category. While micro enterprises are equally distributed over rural and urban India, small and medium ones are predominantly in urban India. In other words, micro enterprises essentially refer to a single man or a woman working on their own from their home.

The medium and small enterprises — that is, the remaining 0.5% of all MSMEs — employ the remaining 5 crore-odd employees.

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This breakup provides a sense of where the pain of the MSME crisis would be felt the most.

What kind of problems do MSMEs in India face?

Given the shape and form of MSMEs, it is not hard to envisage the kind of problems they would face.

To begin with, most of them are not registered anywhere. A big reason for this is that they are just too small. Even GST has its threshold and most micro enterprises do not qualify. This apparent invisibility tends to work for enterprises as well as against them. Being out of the formal network, they do not have to maintain accounts, pay taxes or adhere to regulatory norms etc. This brings down their costs. But, as it is clear in a time of crisis, it also constrains a government's ability to help them. For instance, in some of developed countries, the government has tried to directly provide wage subsidy and extra credit to smaller firms but that could happen because even smaller firms were being mapped.

Related to this is possibly the single-biggest hurdle facing the MSMEs – lack of financing. According to a 2018 report by the International Finance Corporation (part of the World Bank), the formal banking system supplies less than one-third (or about Rs 11 lakh crore) of the credit MSME credit need that it can potentially fund (Chart 5).

In other words, most of the MSME funding comes from informal sources and this fact is crucial because it explains why the Reserve Bank of India's efforts to push more liquidity towards the MSMEs have had a limited impact.

A key reason why banks dither from extending loans to MSMEs is the high ratio of bad loans (Chart 6); data show higher slippage for relatively bigger enterprises.

The other big issue plaguing the sector is the delays in payments to MSMEs — be it from their buyers (which includes the government also) or things like GST refunds etc.

How has Covid-19 made things worse?

Suvodeep Rakshit of Kotak Institutional Equities said that MSMEs were already struggling — in terms of declining revenues and capacity utilisation — in the lead-up to the Covid-19 crisis.

The total lockdown has raised a question mark on the existence of many primarily because these are not firms that have too much cash to wait out the crisis. That explains the job losses, he said. According to a recent survey he did for "small and medium" firms in manufacturing, only 7% said they will be able to survive for more than three months with their cash in hand if their business remains closed. A big hurdle to restarting now is the lack of labour availability.

What can be done?

The RBI has been trying to pump money into the MSME sector but given the structural constraints, it has had limited impact. Hetal Gandhi, Director, CRISIL, believes that there are no easy answers. The government can provide tax relief (GST and corporate tax), give swifter refunds, and provide liquidity to rural India (say, through PM-Kisan) to boost demand for MSME products, she said.

What about credit guarantees?

Loans to MSMEs are mostly given against property (as collateral) — because often there isn't a robust cash flow analysis available — but in times of crisis, property values fall and that inhibits the extension of new loans. A credit guarantee by the government helps as it assures the bank that its loan will be repaid by the government in case the MSME falters. To the extent such defaults happen, credit guarantees are shown as a departmental expense in the Budget.

Source: indianexpress.com – May 06, 2020

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How India can pip China by leveraging inbound FDI

FDI in appropriate sectors in India can have a spillover effect on quality, manufacturing processes and knowledge transfer

Unprecedented is an understatement. Global pandemic, negative crude oil prices, countries shutting borders, global lockdown and volatile stock markets are now the order of the day. Amidst this disorder there is one country, China, that is attempting to buy stakes in leading companies from prominent economies. While global markets have lost nearly 30 per cent of value, predatory acquisitions by China, has led countries such as the United Kingdom, Germany, France, Spain and other EU countries to block or restrict FDI from China into key and high technology sectors and companies. India's move is aligned with the stance taken by the global majors. This move reinforces the bold position of India to block hostile acquisitions of Indian companies.

In China, the State-Owned Enterprises (SOEs) account for nearly 30 per cent of acquisitions on the buy side from the country's outbound acquisitions. The undervalued exchange rate of yuan (RMB), low interest costs and excess liquidity through M2, M3 money supply levels, have been the concerns of the US and other leading economies. China's central bank announced an infusion of $174 billion in early February 2020, as a stimulus during the Covid 19 crisis. High liquidity and low interest costs also help large Chinese conglomerates to take significant stakes and acquire companies with high differentiation across the world.

While India has revised its FDI policy demanding a closer scrutiny of investments especially from neighbouring countries, the time is perhaps ripe to capitalise on the initiatives implemented till date and laurels won so far. India is poised to support the shifting demand from China. Once known for its low labour costs and large population with good coding skills, India has moved rapidly over the last five to seven years into becoming the trusted partner for all major countries and a friend in need to support the global pharma requirements. India's rank as a global player has improved in ease of doing business rankings (63rd rank, compared to the previous year's 77th rank).

Clogged supply chains

Reverse globalisation and protection of home markets is expected to be the trend going forward and is likely to continue for some time. However, the existence of an imbalance of relative cost structure and skill level are the major challenges faced by countries that are locked in with China. China accounted for over 12 per cent of global trade in 2018. Being the main sourcing hub for the world, the pandemic that started in China is immobilising the world and economic activities on account of the snag in global linkages. Clogged supply chains and drained demand are forcing economies to face the twin battle of Covid 19 and an economic downtrend.

FDI into India, with necessary caution, will help India gain a significant stature in the world and support the immediate requirements of the global trade. FDI in appropriate sectors will also have a spillover effect on quality, manufacturing processes and knowledge transfer. Building self-sufficiency and self-resilience can be considered key ingredients of economic policies of all countries. The 'Make in India' programme formulated by India can now come in aid of this objective. Standard operating policies (SOPs) for the make in India programme can help small and medium-sized enterprises rise to the occasion. "Made in China by 2025" is akin to this programme and envisioned to achieve a target growth in select business sectors.

A related point here is that while encouraging FDI, the 'Make in India' programme may aim to encourage, develop and protect knowledge. India's rank in resident patents is 7th in 2018 compared to 29th rank in 1990. FDI and 'Make in India' programmes aligned with increasing patents will not only curtail a forex drain, but will help augment and strengthen forex resources in the country. It is empirically proven that FDI improves domestic investment and therefore has an econometric effect not only on investments but the overall economic indicators.

FDI round tripping

India is not new to attracting and managing FDI, though often criticised to be lagging compared to China. If one were to discount the round tripping of inbound FDI in China, which is estimated to be 40-50 per cent and the revised FDI in India as per definition of international standards, the gap in FDI between the two countries is not as high as it is being made out to be.

India's population which is often touted to be a hurdle, can be reskilled through effective focused programmes to become the workforce for the growing demand from FDI into India and India's own growing requirements to becoming a self-sufficient country. Leveraging 'Skill India' to integrate with this vision and moving towards large scale prototyped production to meet the global demand is critical to integrate FDI flows and domestic spillovers.

Another perspective of FDI is the outbound FDI, which Indian companies are now embarking upon for acquiring brands and plant facilities. India's SOEs in key sectors such as oil and gas have made large scale outbound acquisitions. With Government of India inducting private sector talent to support and share skills with the Government in policy and strategy, there are clear intentions demonstrated to have private- public (PP) initiatives for the benefit of the country.

While the capitalists often quip that the Government has no business of being in business, perhaps the timing is right to extend that PP initiatives to outbound acquisitions and support domestic companies overcome liquidity challenges through partial stake ownership of these acquisitions while the actual business is managed by private companies. At an appropriate time the Government can unlock the value of its stake in such companies. The goodwill built by India can potentially help companies overcome integration issues through least resistance.

With increasing outbound FDI and stronger manufacturing initiatives, India has the capability and potential to become more self-reliant, a trusted global industrial hub and pave the path for the envisioned five trillion dollar economy.

Source: thehindubusinessline.com- May 06, 2020

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Common tariff code glitch creates minor roadblock for mask exports

A six-digit code that identifies over 5,000 goods worldwide has emerged as a roadblock stalling exports of cloth masks from India even as exporters have been flooded with queries for coloured and designer masks. India has banned export of masks that fall under specific tariff code.

Smriti Irani-led textiles ministry has initiated talks with commerce ministry on how to address the issue. "The issue is all masks have the same HSN code. N-95 and surgical masks are required for Covid-19.The issue is now being examined," said an official in the know of the details.

The government in March, had banned the exports of all ventilators, surgical/disposable masks (2/3 ply) masks only and textile raw materials for masks and coveralls in certain tariff codes. However, industry says that customs authorities are not permitting export of knitted cloth masks under the apparel and clothing accessories tariff code. Every traded product is categorised under an HSN code —the global systematic classification of goods.

"Considering the business opportunity including exports potential, may we request...to kindly help to permit for export of cloth masks, failing which all the orders will naturally go to our competitors and we will be missing to capitalise the opportunity," said Raja M Shanmugham, President, Tiruppur Exporters' Association in a letter to textiles ministry.

Source: economictimes.com- May 06, 2020

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Date for filing GST return for FY19 extended to September 30

Validity of e-Way will now be till May 31

Goods & Services Tax (GST) assesses can breathe easy on the compliance front. The Finance Ministry has extended the date for filing annual return for financial year 2018-19 till September 30. At the same time NIL return can be filed through Short Messaging Service (SMS).

The Ministry has also notified extending the validity of e-way bill, expiring between March 20-April15, till May 31. This will facilitate smooth movement of trucks stranded at various places all across the country post announcement of lockdown.

Late in the evening on Tuesday, Central Board of Indirect Taxes and Customs (CBIC) notified five changes important from the point of compliance. All these intend to provide relief to various categories of GST assesses.

Annual Returns

In one notification, the Board permitted assesses to file annual return for fiscal year 2018-19 by September 30 as against earlier date of June 30. It is mandatory to file an annual return. There are three annual return forms, GSTR 9, GSTR 9A and GSTR 9C. Every GST assessee (those who submitted all the monthly return forms of GSTR 3B and GSTR 1) has to file an annual return in GSTR 9.

Among these assessees, every registered taxable person whose turnover during a financial year exceeds ₹2 crore, will also be required to get his accounts audited by a chartered accountant or a cost accountant and then submit a reconciliation statement in GSTR 9C along with GSTR 9. The assessees under the composition scheme (businesses with turnover up to ₹1.5 crore) will be required to file the GSTR 9A form.

e-Way Bill

The announcement of lockdown On March 24 put brakes on thousands and thousands of trucks. Now though the movement of trucks carrying various goods has been permitted, they cannot move as e-way bill for goods on these trucks have expired. Keeping this in mind, the board said that an e-way bill, generated on or before the March 24 and its period of validity expires during March 20 and April-15, will have extended validity till May 31.

In order to curb the tax evasion, the Government introduced e-Way bill system for inter-State as well as intra-State trade. The bill, which is a kind of document required to be carried by the person in charge of a consignment of goods of value exceeding ₹ 50,000, is generated from the GST Common Portal. The consignor or consignee, as a registered person or a transporter of the goods can generate the e-Way bill. The validity of the e-Way bill depends on the distance the goods have to be transported.

Filing of monthly return

In another notification, the Board said that a registered person registered under the provisions of the Companies Act, 2013 will, during the period from the April 21- June 30, 2020, be allowed to furnish GSTR3B return verified through electronic verification code (EVC).

At present, assesses are allowed to furnish the documents or application verified through digital signature certificate. GSTR-3B is monthy return showing actual tax payment.

It has also been decided that a registered person who is required to furnish a Nil return in FORM GSTR-3B for a tax period can do so through a short messaging service using the registered mobile number. Such return will be verified by a registered mobile number based One Time Password facility.

Insolvency Process

Another notification prescribed procedure for registered persons who are corporate debtors under the provisions of the Insolvency and Bankruptcy Code, 2016 and are undergoing the corporate insolvency resolution process, so as to enable them to comply with the provisions of GST Laws during the CIRP period. “The said class of persons shall, with effect from the date of appointment of IRP / RP, be treated as a distinct person of the corporate debtor, and shall be liable to take a new registration (hereinafter referred to as the new registration)in each of the States or Union territories where the corporate debtor was registered earlier, within thirty days of the appointment of the IRP/RP or by 30th June, 2020, whichever is later,” the notification said.

Source: thehindubusinessline.com- May 05, 2020

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Preserving jobs is key to faster economic recovery as lockdown in lifted

With jobs intact, the spending capacity and demand will also remain intact. In addition, the government must boost spending on infrastructure and MGNREGA

Usually economic growth drives job growth, as jobs and livelihoods are an outcome of economic activity. I believe that the Covid pandemic which has brought economies to a virtual standstill, with jobs and livelihoods amongst its many victims, has turned this equation on its head. Investing in saving jobs and livelihoods now, can be a good insurance policy for our ability to put the country back on a high growth trajectory, quickly.

As India comes out of the lockdown, and economic activity resumes, an important part of the recovery process would be to have consumers available for the goods and services produced. This is possible only if jobs and livelihoods are preserved in the interim recovery period of 3-6 months. With jobs intact, the spending capacity remains intact and so does the demand, speeding up the economic recovery.

The government has a key role to play here. It must come forward and provide wage support to enterprises to mitigate job losses. CII suggests that banks provide additional working capital limits, equivalent to April-June wage bill of the borrowers, backed by a government guarantee, at 4-5 per cent, with a refinance guarantee from the RBI, to all enterprises.

In addition, MSMEs could be extended wage support through ESIC as well. Utilising the ESIC funds under Rajiv Gandhi Shramik Kalyan Yojana and Atal Beemit Vyakti Kalyan Yojana a corpus could be created to provide additional liquidity to MSMEs for meeting their wage liabilities.

Generating employment

Higher government spending on infrastructure is another important step for generating employment, especially in the unorganised sector, through construction activity. The National Infrastructure Pipeline, with projects worth ₹102 lakh crore, to be completed over five years starting FY20, should be front-loaded. The higher spending could be met by increasing the fiscal deficit by a margin of 0.25-0.5 per cent, as infrastructure is a productivity enhancing expenditure, and has an overall multiplier effect on the economy.

Construction sector is the second largest employer after agriculture. Out of a total estimated workforce of 500 million, about 60 million is estimated to be in the construction sector. It would be safe to assume that 90-95 per cent of these would be migrant workforce from rural areas in informal employment. Building infrastructure will recreate many of the jobs lost to the aftermath of the Covid lockdown, in this sector.

Greater expenditure on MGNREGA could be another tool to generate employment in the immediate term. CII suggests an additional spending of ₹6,000 crore, about 10 per cent of the FY21 Budget, on MGNREGA, over and above the increase in expenditure due to increase in MGNREGA wages under the Pradhan Mantri Garib Kalyan Yojana.

Labour reforms

The Prime Minister has been emphasising on reforms to enable India to leverage the opportunities that a post-Covid world is likely to present, especially in the manufacturing and export sectors. As India prepares to pitch for attracting large foreign investments, it is important to focus on labour reforms. The issue of jobs and employment, is no stranger to India. Labour reforms will help unlock the employment generating potential of Indian industry.

In additional to the traditional approach to labour reforms, Covid-19 has highlighted the importance of a few other dimensions of labour engagement that need attention.

One of the key challenges that industry is facing is that of getting the migrant workers back to work. It is both an issue of the willingness of the workers to come back and the logistics issues involved. Pandemics can strike in future too. There could be a second wave of Covid itself.

Housing, skill mapping

A long-term solution could be to create worker housing and other amenities in and around India’s industrial clusters to minimise the disruptions to the industrial activity. Some of this can be created through public-private partnership and some by the Central and State governments as part of their plans for creating industrial infrastructure.

A skill-mapping study of the returning migrant workforce can be conducted to try and place them within the States itself. In fact, skill development should become an integral part of the planning for economic growth and attracting investments so as to ensure that as much skills as possible are available to industry locally. Industry may also have to look at locating closer to where the workforce is, for their fresh investments.

Workers at their end should be willing to invest time and effort in upgrading their skills, to be able to meet industry's demand for better skills and higher productivity.

Source: thehindubusinessline.com- May 06, 2020

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Global cotton consumption likely to fall 11.8%

India expected to lead the world in cotton area, but with a fall in the acreage

In what could spell some worries for cotton growers in India, the largest producer, the International Cotton Advisory Committee (ICAC) has projected a bleak consumption outlook for the fibre crop in 2020-21. ICAC has projected that cotton offtake is set to shrink by 11.8 per cent as bleak economic conditions triggered by Covid-19 containment measures across the globe, coupled with unprecedented shifts in the labour market and growing unemployment, have dented the consumption spirit.

While this bleak consumption outlook may push cotton growers away from the fibre crop, it will also put a pressure on the prices, which is estimated to average at 56.9 cents per pound for 2020-21 as against the average of 71.4 cents for 2019-20.

ICAC, in its latest update for May, maintained that India will continue to lead the world in cotton area "despite an expected area contraction to 12 million hectares with prices lower than competing crops in the area." India's cotton area for 2019-20 was reported at 12.7 million hectares.

Lower yields

ICAC added that the yields in India are expected to be lower in 2020-21 as a result of delayed sowing and the containment measures to control the pandemic. Serious implications of the Covid-19 crisis will be clearly visible across the cotton value chain and consumer demand.

"As containment measures remain across countries, effectively halting the global economy, global cotton consumption has been revised down to 22.9 million tonnes, an 11.8 per cent decrease from the previous season. With supply chains fractured and consumption demand low, global trade has been revised down to 8.26 million tonnes," ICAC noted.

On the area and production of cotton globally, ICAC predicts it to decline in 2020-21 due to uncertainty across the growing regions and trade disruptions as it is set to impact the farmer planting decisions.

As a result, the global area under cotton is expected to decline in 2020-21 by 4 per cent to 33 million hectares. Global production for the period is expected at 25 million tonnes, 4 per cent lower from the current season due to a contraction in area. Cotton consumption for the year is expected at 23.2 million tonnes. With production exceeding consumption in a contracting global economy, stock levels are expected to increase, putting additional pressure on prices.

Revised price projection

"The Secretariat's current price projection for the year-end 2019/20 average of the A Index has been revised to 71.4 cents per pound this month. The price projection for the year-end 2020/21 average of the A Index is 56.9 cents per pound this month," it added.

For China, ICAC expects total cotton area to fall to 3.08 million hectares for 2020-21 from 3.30 million hectares last year. For the US, the area is expected to remain near the last year's level of 4.7 million hectares despite pressure on prices.

Source: thehindubusinessline.com- May 06, 2020

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Post Covid, expect a rise in the clamour for protectionism

With the global supply chain moving away from China, India may look for protection across major sectors. But the impact of this on domestic players shouldn't be forgotten

Post Covid-19, we can expect increasing clamour for protectionism across the world as the global value chains (GVC) collapse, partly because of prolonged disruptions and partly due to a dent in trust in the value chain originating in China. Japan has already announced a package for pulling out its manufacturing activities from China, and the US is likely to follow suit. That would give a death blow to the GVC, and lay the foundation for a more inward-looking trade regime.

In India, we can expect the demand for protection across major sectors through various tariff and non-tariff barriers, and the government will be under tremendous pressure to succumb to such demands. Some of the demands for protection may be genuine and legitimate in the face of global imbalance in capacities. But many such demands will be aimed at creating monopolies or duopolies or in response to temporary increase in import volumes.

While most manufacturing sectors across the globe came to a halt as governments enforced lockdowns, there are reports that China is stock-piling inventory to reach out to global industrial consumers once the shutdowns are lifted.

Increase in imports

With their supply chain and labour force completely disrupted, Indian industries will look for raw materials and intermediates to be able to restart operations, post Covid. This will lead to increased imports. At the same time, the producers of basic building blocks and intermediates as well as finished products will clamour for protection on the face of heightened fear of large-scale imports.

The China factor will be played out in full force to drive the demand for protection. Shrinking global market will also be a critical factor.

This conflicting demand for basic raw materials and intermediates on the one hand and demand for protection against imports on the other, will pose a very difficult policy challenge for the policymakers.

There is no denying the fact that we need to ramp up our own capacities to avoid situations like the one faced by the Indian pharmaceutical industry, almost completely dependent upon API supplies from China. But it has to be borne in mind that the capacities are not built overnight, and the consuming industry will need the inputs now, at competitive prices. Therefore, there is a need to maintain the line of supply without significant price and volume distortion. Chinese inventories will be required in many countries, and it is unlikely that they will be targeted against any particular country.

Further, it must be borne in mind that if the withdrawals from China is a reality, a new world trading order is a clear possibility, and that will be an opportunity for India for scaling up its capacities, both for its domestic consumption and exports. As of now, India accounts for only about 2.3 per cent of world merchandise trade, and there is a long way to reach the $5-trillion economy dream.

Domestic manufacturing

India's anti-dumping, anti-subsidy and safeguard measures in the past reveal that a very large proportion of the products which enjoy protection under these trade remedy laws are the basic raw materials and building blocks for a large segment of downstream industry. In some sectors, the entire value chain attracts duty, thereby completely pricing out the finished good producers both for the domestic and international markets. Instead of improving its efficiency and competitiveness, the industry would often clamour for protection, even in a monopolistic or duopolistic situations.

Downstream producers, largely in MSME sector, use these goods as their input for further processing. This sector contributes about 37 per cent to India's GDP while accounting for 45 per cent of the total manufacturing output and 40 per cent of the exports. It is the largest employer after agriculture. By increasing the cost of the basic inputs through prohibitive duties, the downstream industries are put in a serious disadvantage and they are priced out both in domestic and export markets.

It will be injurious for the domestic manufacturers if long term measures such as AD/CVD are imposed in response to a temporary spike in imports as a result of supply disruptions in the last few months. These imports, which are in response to rebalancing of temporary demand supply situation, may not require long-term protection under AD/CVD laws. Response to such demands need to be carefully calibrated as demand for protection by one segment of the industry will affect the genuine need for inputs by the other segment.

Trade remedy measures are distributive in nature and act as safeguards against unfair trade or injurious imports, and are meant to create a level playing field. But they can also be highly distortive and damaging for the domestic economy and global trade if indiscriminately used.

Therefore, in the overall economy's interest, the response of the government should be well thought out and nuanced rather than succumbing to the rhetoric for protection in the changed global economic scenario.

Source: thehindubusinessline.com- May 06, 2020

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Industries resume work but stare at uncertainty

Textile units in Karur as well as a few industries in Trichy resumed work after 45 days following the government's nod to start work with 50% staff by maintaining social distancing and other norms.

While the companies say they are focusing on completing pending orders, they admit that sustaining production would largely depend on how the Covid-19 crisis shapes out. Over 100 of the roughly 400 ancillaries of Bharat Heavy Electrical Limited (BHEL) Trichy have started operations in the district, said R Ilango, president of Trichy district tiny & small-scale industries (Tiditssia).

Bringing the workforce appears to be a challenge as many of them are residing in villages close to district borders. "We have taken up the issue with the district collector who has promised to sort out the issue to ensure that workers make it to the units," he said. Karur district collector T Anbalagan inspected the textile park at Manalmedu. As a limited work force was engaged to resume work, workers were seated in alternate sewing machines to ensure social distancing at the work place. They were offered hand sanitisers while entering the premises apart from face mask.

About 400 textile units have obtained permission from the district authorities and resumed operations after a gap of six weeks. These include 300 units in the urban areas and 100-odd in the rural areas which have started operations with 30% and 50% workforce respectively.

Permission was given to resume industrial activity to only those units which could make prior arrangements to rule out spread of Covid-19 following norms laid down by the government, the collector said. While an officer at the level of deputy collector has been appointed to monitor these units, action would be initiated if industrial units operate without permission.

R Stiffen Babu, executive member, Karur Textile Manufacturing and Export Association, said work has resumed but to keep it going Covid-19 has to be brought under control globally.

“We export home textile products to America and European countries which are badly hit now. Manufacturers will get continuous orders only if these countries revive. We are completing pending orders, but payment for the shipment sent is likely to be delayed which will leave us without capital to carry out production,” he said.

Industrial units in Sipcot Pudukottai carried out their operations with local workers, said project officer Kannan. “A total of 28 units resumed work on Wednesday and we are expecting more to come forward in the coming days,” he said.

Source: timesofindia.com- May 07, 2020

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CBIC issues clarification on GST Compliance Requirements

The Central Board of Indirect Taxes and Customs (CBIC), on Wednesday, issued the clarification in respect of certain challenges faced by the registered persons in the implementation of provisions of Goods and Service Tax (GST) Laws.

The circular was issued addressing the Principal Chief Commissioners of Central Tax and the Principal Director Generals / Director Generals while issuing clarification on various challenges. As per the circular, Interim Resolution Professional (IRP) or Resolution Professional (RP) is now required to obtain registration within thirty days of the appointment of the IRP/RP or by June 30, 2020, whichever is later.

"IRP/RP would not be required to take a fresh registration in those cases where statements in FORM GSTR-1 under section 37 and returns in FORM GSTR-3B under section 39 of the CGST Act, for all the tax periods prior to the appointment of IRP/RP, have been furnished under the registration of Corporate Debtor (earlier GSTIN)," the circular further clarified.

The clarification pertaining to an amendment in the registration form provides that such a change would need and only change of authorized signatory which can be done by the authorized signatory of the Company who can add IRP /RP as a new authorized signatory or failing that it can be added by the concerned jurisdictional officer on request by IRP/RP.

"The requirement of exporting the goods by the merchant exporter within 90 days from the date of issue of tax invoice by the registered supplier gets extended to 30th June, 2020, provided the completion of such 90 days period falls within 20.03.2020 to 29.06.2020," the circular stated while addressing other COVID-19 related representations.

Source: taxscan.in- May 06, 2020

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Global fashion brands tap India for face masks

Global fashion brands are knocking at India's door to procure non-surgical facemasks that have become the order of the day in wake of Covid-19 crisis. International brands have begun sharing prototypes of fashion masks in cotton and blends with Indian suppliers who are awaiting a nod from the Centre to export non-surgical masks.

Apparel Export Promotion Council (AEPC) has approached the Centre seeking guidelines and clarification on export of non-surgical grade of masks, gloves, coveralls, gowns and other protective wear.

Tirupur Exporters' Association (TEA) and Indian Texpreneurs Federation (ITF) too have made representations seeking clarification pertaining to non-surgical masks of cotton and various blends that may be supplied to international buyers.

The ITF that represents the textile value chain of Tamil Nadu has approached the ministry of textiles seeking removal of ban on export of fashion cloth masks. ITF said textile clusters of Coimbatore and Tirupur have received enquiries for supplying fashion masks to global brands and importers with an immediate need for at least 50 crore masks.

“This alone can generate business of ₹1,000 crore immediately and ₹4,000 crore over a period of one year,” said ITF convenor Prabhu Dhamodharan.

AEPC chairman A Sakthivel in his letter to the commerce ministry said exporters are unable to export any kind of mask, including those not mentioned in the notifications - like knitted masks or plain cotton woven masks, which are not for surgical purposes.

In his representation to textiles ministry, TEA president Raja M Shanmugham said while a March 19 notification pertaining to the export of surgical and disposable masks does not prohibit masks made out of knitted fabric, customs authorities are not permitting their exports.

“Fashion brands like Marc O’Polo, Camp David, Lerros, et al have approached me with enquiries pertaining to non-surgical face masks,” Shanmugam said.

Masks will not just be an accessory, it will become an essential component of a garment. Brands have begun discussing prototypes of how masks would go with particular garments, he told ET.

"To begin with, brands have been asking for masks in solid colours in cotton and in blends, but eventually, the masks will sync with the design of the garment," Shanmugham said.

Source: economictimes.com- May 06, 2020

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E-commerce growth spanner: New tax regime may drive small sellers away from online retail

E-commerce has been growing rapidly over the years due to greater penetration of internet into the country. Every day, the quantum of transactions carried out through e-commerce has been increasing. The Finance Bill 2020 has proposed to introduce Section 194-O to capture the transactions into the tax-net requiring withholding of tax on e-commerce transactions.

Basics of E-commerce

E-commerce is generally understood as sale or purchase of goods or services over the internet. In India, there as three popular models of e-commerce business: (i) Inventory based model, (ii) Marketplace based model, and (iii) Hybrid of inventory based and market place models.

In inventory-based model, inventory of goods or services is owned by e-commerce entity and is sold to the customers directly through electronic platforms. Whereas, in marketplace-based model, a platform is provided to the customers by an e-commerce operator over digital or electronic network where the operator merely acts as an intermediary/ facilitator between buyers and sellers. The last model, i.e., hybrid of inventory based and marked place model, is combination of the first two models.

Under the marketplace-based model, an operator maintains a medium/platform, which can be accessed over the digital or electronic network. He allows the sellers to list their goods or services on the platform and allows the buyers to order such goods/ services through the same platform. Thereafter, the goods/ services are delivered by the seller to the buyer, often facilitated by the operator. The customer usually makes payments for such procurements to the operator, who in turn passes it on to the seller. The operator charges commission/ remuneration to sellers for facilitating the sale of goods or services and for providing certain other value add services.

Coverage of new Section 194-O

The provision seeks to target marketplace-based model of e-commerce, wherein three parties are contemplated in a transaction, viz. operator, participant (seller), and the customer (buyer). As per the definition, 'e-commerce operator' should also be responsible for making payment to the participant for the goods sold or services provided, apart from operating the platform. Thus, e-commerce transactions carried out through inventory-based model are clearly out of the scope of this section.

Interestingly, the definition of 'e-commerce participant' proposes to cover only sellers and service providers, who are Indian residents. As such, transactions undertaken by non-resident participants will not be subjected to TDS under this section.

Also, small participants, who are individuals/ HUF and whose value of sales or services during the year does not exceed Rs 5 lakhs, will not be covered by the scope of this section. This relaxation is, however, subject to the condition that the individual/HUF furnishes its PAN or Aadhar Number to the operator.

How much tax is to be deducted and on what value?

The section obligates the operator to withhold tax at the rate of 1% of the gross amount for the supply of goods or services provided by the participant. Such deduction is to be done at the time of credit or payment to participant, whichever is earlier, similar to requirement under other TDS provisions.

It is interesting to note that the obligation to deduct and pay tax is not on the customer, who ultimately pays for the goods or services, but on the intermediary-operator, who is responsible for collecting such payment and passing it on to the participant. It is expressly provided that once TDS has been deducted and deposited by the operator under this section, there will be no obligation to deduct TDS under any other section on such transaction.

Thus, there will be no further onus on the customer to deduct TDS while making payments towards goods/ services.

Also, the TDS amount is to be calculated on the gross amount charged to the customer for such goods or services. The gross amount will include any amounts, which may be retained by the operator towards its commission, remuneration, or other service charges.

Significantly, it is not very clear as to whether the participant, under other sections, such as 194H or 194C or 194J, will continue to be liable to deduct tax on such commission or remuneration or service charge payable by him to the operator. Thus, there could be crisscrossing of deductions between the operator and the participant.

What happens if the customer makes payment directly to the participant?

There are business models in place, where the customer is given the option of either making the payment through the operator or directly to the participant. For instance, various taxi aggregators give option to the riders to either make payment in cash directly to the drivers or through electronic mode (like credit card or e-wallet) to the operator.

The question which arises is whether the operator will be liable to deduct tax even on those payments which are directly made by the customer to the participant. In this regard, an explanation given in the new section states that even payments made by the customers directly to the participants shall be deemed as payment made by/through the e-commerce operator.

Thus, for the purpose of calculating the TDS amount at 1%, the operator will have to include even such direct payments, though these payments were never routed through the operator. This appears to be quite an onerous obligation cast on the operator.

This also leads to another interesting situation. There are e-commerce models wherein the operator never collects payment from the customer and is, hence, never responsible for making any payment to the participant. In these models, the participants always receive payments directly from the customers. The operator merely facilities the supply of goods or services through the platform. Strictly speaking, such an operator will never satisfy the definition of 'e-commerce operator' given in the section, as he is never responsible for making payment to the participant. However, a doubt arises because of the explanation which deems even direct payments as being payments routed through the operator. This can potentially lead to disputes and a suitable clarification can go a long way in avoiding them.

Scope of ‘e-commerce’ and ‘goods’ is very wide

‘Electronic commerce’ is defined in the widest possible way to cover any supply of goods or services or both over digital or electronic network. Further, the definition states that goods or services would cover all digital products as well. Significantly, there is no definition of “goods” and there are no exclusions like in other sections like 194H. Thus, potentially the section can cover transactions in shares and securities, other financial instruments, electricity, etc. Moreover, the definition of ‘e-commerce operator’ can also possibly cover intermediaries, that are in the nature of exchanges or auctioneers, though not typically considered as ‘e-commerce’ operators in the business world.

Therefore, it is very important for the businesses to carefully analyze the applicability of these provisions on their transactions in the light of the definitions given therein, rather than simply going by the common parlance understanding. Also, the section may potentially end up applying to some transactions/ businesses, which were probably never the intended targets. Hence, suitable representation may have to be made for appropriate amendments/clarifications.

There is absolutely no doubt that the proposed section is not intended to augment tax revenue but is primarily meant to bring more businesses under the tax radar. However, in the present times, considering the extreme working capital crunch faced by many businesses, this move may end up discouraging many sellers from adopting the e-commerce platforms. Only time will tell the extent to which this tax withholding provision ends up holding back the growth of e-commerce in India.

Source: financialexpress.com- May 06, 2020

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Pre-GST CENVAT credit available till June-end revised

The Delhi High Court on Tuesday allowed taxpayers registered under Goods and Services Tax (GST) to claim accumulated CENVAT credit from pre-GST regime till June 30, 2020, and noted that the benefit of transitional credit will be applicable for three years (since launch of GST on July 1, 2017) which is the period mentioned in the limitation Act.

Under the GST Act, taxpayers were allowed to carry forward input tax credits from excise and service tax regime by filing TRAN-1 form. Although the original deadline expired in September,2017, the government granted several extensions till December 27, 2017. Further, taxpayers who couldn't file the claim due to technical glitch in the system were allowed to do so till March 31, 2020.

While the rule 117 under the GST Act mandated a deadline for claiming the credit, taxpayers have argued in court that input tax credit was a right and not a taxpayer concession, which made a deadline ultra vires.

"The time limit prescribed under Rule 117 was challenged before the Delhi High Court. The Delhi High Court in the virtual hearing held today clearly held that the prescribed time limit will not be applicable as it is directory and not mandatory. The court also ordered that extended time limit of three years should be applicable not only qua the petitioners but to all other petitioners who are facing the hardship of transitional credits", said Abhishek A Rastogi, partner at Khaitan & Co, who argued for the petitioner Brand Equity Treaties.

Since the early days of GST, the government has suspected that large amount of transitional credit was being availed illegally. The indirect tax department had also conducted an analysis on nearly Rs 2 lakh crore of transitional credit claimed till the original deadline.

Source: financialexpress.com- May 06, 2020

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Delhi HC allows all GST assessees to claim due transitional credit till June 30

Ruling will not only benefit petitioner but all affected assessees

In what could be seen as a big relief for businesses, the Delhi High Court on Tuesday ruled that time limit for transitional credit is only 'directory' and not 'mandatory'. Experts say this is a landmark judgment as the ruling will not only benefit the petitioner but all the affected assessees who are not even party to the petition. This would mean all assessees can claim all pending transitional credit (technically known as input tax credit or ITC) till June 30.

Transitional credit refers to use of tax credit accumulated up to June 30, 2017, that is, last day of erstwhile central excise and service tax regime. Post-introduction of Goods & Services Tax (GST), special provision was made for credit accumulated under VAT, excise duty or service tax to be transited to GST. Barring registered dealers opting for composition scheme, all other assessees were given the opportunity to avail themselves of the transitional credit.

However, there were some conditions. The credit will be available only if returns for the last six months — from January 2017 to June 2017 — were filed in the previous regime (VAT, excise and service tax returns had been filed). And Form TRAN I (to be filed by registered persons under GST, may be registered or unregistered under the old regime) has to be filed by December 27, 2017, to carry forward the input tax credit. Also, Form TRAN I can be rectified only once. The government permitted those registered persons who furnished evidence of attempt to load TRAN-I up to December 27, 2017, to file TRAN-I by March 31, 2019 .

Many unresolved issues

As many issues were unresolved, the matter reached the High Court. The petition prayed for quashing Rule 117 of CGST Rules 2017 as it seeks to impose a time limit to carry forward tax credit from the previous regime. It termed this particular rule as 'arbitrary, unconstitutional and violative of Article 14 of the Constitution of India'. It was said that substantive benefit cannot be denied on procedural or technical grounds where the beneficiary has satisfied the substantive conditions for the benefit.

‘Directory, not mandatory’

After a virtual hearing on Tuesday, the Court held that the time limit prescribed under the said rule is ‘only directory and not mandatory.’ A ‘mandatory’ rule means it must be strictly complied with and non-observance of mandatory provisions involves the consequences of invalidation. However, when the rule is ‘directory’, it would be sufficient for it to be substantially complied with. But non-observance of directory provision does not entail the consequence of invalidating, whatever be the other consequences.

According to Abhishek A Rastogi, Partner at Khaitan & Co, who argued for the petitioner, the court in fact clearly mentioned that this benefit of transitional credit will be applicable for three years — that is, the period mentioned in the limitation act. “The court also ordered that extended time limit of three years should be applicable not only qua the petitioners but to all other petitioners who are facing the hardship of transitional credits,” he said. In other words, even others who were not party to this petition but affected can benefit from this order.

The court directed the Tax Department to allow all assessees to claim credit (accumulated during previous regime) by June 30, 2020.

Source: thehindubusinessline.com- May 05, 2020

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CAIT asks govt to pay worker salaries; says, traders can pay 30% of employee compensation in April

Trade body CAIT has urged the government to reconsider its earlier guidelines of asking employers to pay full salaries of their workers during lockdown and has said that traders can only pay 30% of the total compensation in April. “Allow traders to pay the salaries as per mutual agreement between the employer or employees or allow traders to pay 30% of the salary which is quite sufficient for livelihood of the employees,” the trade body said in statement on Wednesday. It has also asked the government to contribute towards the salaries of employees and has said that if the government can pay 50% of employee salaries, traders can pay additional 25% as well.

The trade body has also sought an economic package from the Finance Minister Nirmala Sitharaman to tide over the coronavirus lockdown. The retail sector has been one of the worst hit sectors due to coronavirus as the country remained under a lockdown for over a month now. The financial burden has been mounting on traders. "If corrective measures are not taken, the basic structure of retail trade in India will be highly distorted," CAIT said. According to the trade body, the retail sector in the country witnessed losses to the tune of Rs 5.50 lakh crore since March 25 when the lockdown was imposed.

Meanwhile, the Confederation of All India Traders has launched its own e-commerce portal BharatEMarket to rival other e-tailers such as Amazon, Flipkart, among others. The trade organization represents seven crore traders in the country. The portal is likely to be launched within a month and the organisation has opened registrations for brands, distributors/wholesalers, retailers, and small businesses categories. The portal will allow customers to buy from their nearby stores and it aims to deliver orders within two hours. Mukesh Ambani's JioMart, which has launched in certain regions such as Navi Mumbai and Thane, also aims to bring small traders to nearby customers.

Source: financialexpress.com- May 06, 2020

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Carpet exporters look to regain lost business with 'virtual' fair

Industry hopes to attract more buyers than physical fair

With the on-going global pandemic bringing carpet exports to a halt and organising exhibitions and fairs becoming a near impossibility, exporters are trying to step into the previously uncharted territory of virtual fairs to gain back business. The attempt would be to create the same physical experience for foreign buyers and buying agents for the sourcing that they are used to, exporters say.

"Because of the pandemic, we cannot allow business to stop. There is no alternative other than making a success of a virtual fair as we cannot physically organise the bi-annual exhibition that our foreign buyers are so used to attending to place their orders," Sanjay Kumar, Executive Director, Carpet Export Promotion Council, told BusinessLine.

Carpet exports from India were valued at about ₹12,000 crore in 2019-20, but in the current fiscal, because of the lockdown, outbound shipments could decline significantly. This would not only serve a blow to over 25,000 businesses engaged in this sector but also affect the livelihoods of an estimated 20 lakh workers and artisans.

"Carpet exports have come to a standstill since the lockdown was implemented from March 25. There has been large-scale cancellation of orders from our major markets in the EU and the US. By organising a successful virtual fair, we can try to get back business, pointed out Siddh Nath Singh, a UP-based exporter and Chairman of CEPC.

Singh expressed hope that with meticulous planning the virtual exhibition could be a big success as the only thing missing would be the touch and feel of the product which is important to determine quality. However, the problem could be resolved by sending the sample to the buyer before finalising the order.

On the bright side, Singh expects more than the 400 usual foreign buyers who visit the CEPC bi-annual exhibition regularly, will participate in the virtual fair. "Since buyers need not travel physically to reach the fair, the number of participants may be much more than what we have in our physical fairs. It could be close to 700-800," he said.

Positive response

A video conference was organised by CEPC on Tuesday to get the views of buyers and buying agents on the virtual conference. "We got a positive response and hope to hold the exhibition sometime in August or September," Singh said. By that time, exporters hope, the associated problems being faced by carpet units with the partial lifting of the lockdown would be sorted out. Sellers from all major carpet producing areas like Bhadohi, Mirzapur, Varanasi, Agra, Jaipur, Panipat and Srinagar are expected to participate in the exhibition.

Source: thehindubusinessline.com- May 06, 2020

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Container lines re-jig India services as volumes plunge

Jogela, a container ship with a capacity to carry 4,957 twenty-foot equivalent units (TEUs) has been anchored off Mumbai since April 15 after it discharged the cargo at one of the terminals of Jawaharlal Nehru Port Trust (JNPT).

After the containers were unloaded, the Madeira, Portugal-registered ship which was chartered by German shipping line Hapag Lloyd A G from Hamburg-based Peter Döhle Schiffahrts-KG, off-hired the vessel for a month, as volumes nose-dived due to the coronavirus-induced demand collapse.

In the normal course, when a ship is de-hired, she will be chartered by someone else who will deploy her on some other route.

“Now, it’s not like that,” said a container shipping industry executive. Hapag Lloyd didn’t feel the need to run the ship for the next one month but didn’t want to let go of the ship either. It wanted to hire the ship again after a month.

“The ship’s owner then decided to drop anchor off Mumbai after it was off hired by Hapag Lloyd. She is waiting outside Mumbai anchorage,” the industry executive said.

Container ship operators such as Maersk Line, CMA-CGM S A and Mediterranean Shipping Co S A (MSC) are looking at ways to cut costs as volumes plunge in what is Asia’s third biggest economy.

Container volumes at JNPT, India’s top container port, fell 37 per cent in April compared to the same month last year. Pan India, container volumes have declined by more than 12 per cent since April year on year, when the new financial year began.

Since March 25, forty-six sailings of scheduled services had to be blanked / cancelled and some of the services had to be rationalized, resulting in huge costs to the lines for the idling of vessels.

Given the grim trade scenario, container carriers have even started resorting to culling one full cycle of a service run with 7-8 ships.

For instance, the Europe-Pakistan-India (EPIC) 2 weekly service run by CMA-CGM, Hapag Lloyd and COSCO Shipping with eight ships, decided recently to suspend one full cycle – all the eight ships will not call at JNPT and Mundra. In effect, EPIC 2 will not run the service for eight weeks.

It came hardly a month after the service partners upgraded the service by deploying bigger ships with a capacity to load 13,000 TEUs.

From a logistics point of view, the cost of operating a ship is huge. “Taking that into account, even if they have to forego one sailing, that is much more favourable for an owner/operator,” said the industry executive.

Most of the existing weekly services are calling at Indian ports once in two weeks or even longer. “Weekly sailings have gone now basically because there is no cargo, both ways. This is not a problem specific to India, it’s all over the globe,” said the industry executive.

For example, the EPIC 1 weekly service run by MSC, Hapag Lloyd and CMA CGM linking JNPT, Hazira and Mundra, is calling once in two weeks.

This will ultimately help the carriers at a time when the volumes are down, said an executive with a European container line.

CMA CGM also axed its Middle East-India-East Africa service named MIDAS 2 after some five blank sailings and is using its Middle East-India-West African service called MIDAS 1 that calls at Durban, one common port of call for both the services, to carry Indian cargo.

“That takes care of the entire MIDAS 2 cargo rather than running ships empty on MIDAS 2,” said an industry source.

The April 21 Shipping Ministry order, directing carriers not to levy container detention charges has added to the woes.

“Ports and terminals are giving waiver on ground rent charges. Who is going to pay me for detaining my containers? My container is being used, for which I have incurred a cost, but I’m not supposed to charge anything. From March 1 to May 3, we are not charging a single paise as detention charges,” said the executive with the European line.

"The two months detention is huge. It is the only revenue that we have. We are surviving on that revenue. Freight is virtually zero now. We are shipping cargo even on zero freight. There is a cost for bringing a ship to India. Who will pay for that cost?, he said.

A 9,000 TEU-capacity ship pays about $500,000 to transit the Suez Canal on the way to India from Europe or $1 million for both ways.

The only saving grace is the low bunker prices. To avoid the steep Suez Canal transit fees, some of the carriers plying on the northern Europe-Asia route are diverting their ships via the Cape of Good Hope, entailing extra sailing time of as much as seven days to the voyage.

Source: thehindubusinessline.com- May 06, 2020

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From godsend opportunities to app maker to learning the rope: Covid created many business opportunities

Mirrorsize Inc, a US registered start-up with development centre in India, had barely six clients till February this year. They started selling artificial intelligence (AI)-enabled device agnostic body measurements and apparel size solutions, in September 2019.

Since the lockdown, they have acquired 20 new clients, mostly from abroad. Leave alone benching or salary cuts, the company is increasing its manpower by 25 per cent — from 19 to 24 — to keep pace with the rising demand.

Two are already hired and three are set to join after the lockdown. All are alumni of IITs, IIMs and other reputed institutions with decent professional experience.

"We are expecting over 300 per cent growth," said Arup Chakraborty, founder and CEO of Mirrorsize. For the last two years he had been knocking doors of both brick and mortar and online apparel retailers to try his product. And now, they came running to him to survive in post-Covid onslaught.

The pandemic has definitely created many opportunities alongside its destruction spree. For Chakraborty, it was a fairytale story of being at the right place at the right time. For others, like Bengaluru-based Corpqlo Clothing Pvr Ltd, it was a shock and awe experience.

From clothing to PPE

Set up by Siju Varghese, former CEO of Gokaldas Images Pvt Ltd, in 2018, Corpqlo focussed on corporate uniform segment. Airlines such as Air Asia were their major customers. Varghese developed an asset light model, where they contracted manufacturing capacities on take or pay clause.

However, the nation-wide lockdown grounded the aviation sector which subsequently disrupted operations at Corpqlo.

The company switched focus to making PPE (personal protection equipment) in order to survive and within weeks, they became one-stop shop for face masks, hand sanitizer, sanitizing sprayer, non-contact thermometer, gloves, body suits, face shield and sanitization chamber. And, the range is expanding.

While body suits and masks are manufactured by their vendors in the textile sector, Varghese tied up with a pharma company to make their own brand of sanitizer. Face-shields are made by a company in North India, which was so far operating only in the export market. KN-95 masks are, of course, imported.

Collective effort

Varghese makes it clear that it was a “joint effort” of so many vendors. “Covid-19 struck many of us in different fields. We used our resources, to create a complete array of products,” he said.

The strategy worked. Corpqlo got back the same airlines to sell ponchos for the crew. All businesses will henceforth need varieties of PPE. He has different variants of sprays to suit needs (and pocket) of large corporate offices to small retail outlets.

A normal sanitization chamber takes 20 seconds to clean each person. This may be good for offices but, for factories he has UV chambers which work faster. Hospitals are ready customers. But even schools and colleges need to take precautions. Corpqlo is ready to tap the opportunity.

“Going forward we will create a similar model in PPE as in our textile business, where we do everything — right from selecting fibre to branding — except owning manufacturing facilities,” said Varghese.

Accept the change

What is opportunity for Mirrorsize or Corpqlo is a necessity for Bengaluru-based ₹52 crore tailormade suit-maker PN Rao that has six outlets in Bengaluru, Chennai and Hyderabad.

Apart from regular measures like temperature scanning or availability of hand sanitisers, the premium brand has gone out of its way to make customers comfortable about safety issues. All surfaces in the outlet will be sanitized every two hours.

Gloves and masks will be available. Tailors will wear face-shields and gloves to take measurement of customers. Customers coming for trail will be offered freshly steamed garments to ensure it is germ free.

To ease customers’ fear of catching the virus, PN Rao PN Rao approached Mirorsize to purchase their AI solution. The customer will be asked to give front and side view to the camera — either from the comfort of their home or at the outlet — AI will do the rest.

“We were toying with the idea of using digital tools. Covid-19 made us accept the change,” said Naveen Varghese, partner. Is it a change of customer behaviour forever? He doesn’t know. But, some changes may be here to stay. As the company’s Bengaluru outlet reopened yesterday, there came a customer spending bountiful on range of suits and trousers.

“Going by the volume of purchase we thought he had a wedding at home. It turned out that he needed a wardrobe overhaul for adding full two inches on the waistline during the lockdown,” said Pishe.

Source: thehindubusinessline.com- May 06, 2020

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Cotton area doubled, but farmers unsure of getting fair price

Cotton cultivation in Thanjavur, Tiruvarur, Nagappattinam and Trichy has been nearly doubled by area this year compared to last year. Encouraged by the fair price announced last year for cotton, farmers have raised the crop on about 71,000 acres this year.

As the harvest season is nearing, farmers have raised apprehensions about getting a reasonable price. The entire textile industry is in a crisis as factories have shut and production of yarn came to a halt in the wake of nationwide lockdown.

Farmers from the delta districts have started to migrate from paddy to other cash crops five years ago when the state was reeling under severe water shortage. Cotton was cultivated in 46,657 acres last year and it has increased to 71,552 acres this year.
Water consumption and maintenance cost is less for cotton compared to paddy. Moreover, the return is high. Total cost would come around Rs 30,000 per acre, while the return is Rs 1.5 lakh. Though the time of sowing and harvesting varies is different areas, farmers in delta usually take the cultivation as a summer crop, officials from the agriculture department said.

All these factors have encouraged delta farmers to take up cotton cultivation. In Nagapattinam district, farmers cultivated cotton on 6,250 acres last year, however, it has increased to 12,500 acres the current year, S Panneerselvam, joint director of agriculture, Nagapattinam, said.

Valangaiman, Kudavasal, Koradacherry, Nannilam, Tiruvarur and part of Mannargudi are the areas where farmers take up cotton in Tiruvarur district. In Thanjavur, Papanasam and Thiruvidaimaruthur are popular for cotton cultivation. In Trichy district, the total cultivated area last year was 21,000 acres, while it has been increased to 25,000 this year, officials from the agriculture department said.

P S Masilamani from Tiruvarur has raised cotton in five acres. Last year he sold cotton for Rs 5,500, per quintal he said. “We were hopeful that we would be able to get a better price this year. But the situation is looking bleak. The textile sector also has suffered huge loss due to the lockdown. We are worrying whether we would be able to sell our produce,” he added.

R Manoharan, textile owner from Karur, said that their buyers have cancelled earlier orders and they don't know when they would get next orders. "We are keeping our fingers crossed. We doubt whether we would get lakhs of rupees due by our buyers. Spinning mills, dying units and everything connected with the sector is affected. So, this would ultimately affect procurement of raw cotton from farmers," he added.

Meanwhile, cotton farmers from Perambalur have started cultivating maize, K Ganesan, joint director of agriculture, Perambalur, said. "Cotton was cultivated on 40,000 acres and now it has reduced by 50%. When compared to cotton, input cost, and maintenance is less for short-term crop," he added.

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