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NEWS CLIPPINGS

INTERNATIONAL NEWS

China Shipped 63% Less Denim to the US in Q1

Global tumult took a staggering toll on denim sourcing in Q1.

The combined effects of China factory closures in January from Lunar New year followed by the spread of the coronavirus in February into a global pandemic and the shutdown of most retail distribution in March led to dramatic declines and shifts in jeans sourcing in the first quarter.

In the year to date through March, U.S. companies imported 13.95 percent less blue denim apparel–95 percent of which are jeans–for a value of $697.51 million compared to the same period in 2019.

Jeans imports from China sank 63.11 percent in the three months to $67.79 million, bringing down its market share 37.83 percent for the 12 months through March to 16.01 percent, falling below Bangladesh into third place as a supplier to U.S. companies.

Top supplier Mexico saw its imports tumble 28.85 percent so far this year to a value of $138.89 million, with its market share for the year falling 11.52 percent to 20.61 percent. Imports from Bangladesh, where many factories were forced to close in March, increased 30.06 percent in the quarter, while its market share increased 8.77 percent to 16.96 percent.

The drop in imports follows sagging demand for apparel. As the coronavirus pandemic's economic effects took hold, consumer spending on clothing and footwear fell a seasonally adjusted 28.2 percent in March to $2.91 billion, according to the Bureau of Economic Analysis.

Among other Top 10 Asian suppliers, imports from Vietnam jumped 35.09 percent in the quarter to $86.38 million, as its market share for the year gained 26.83 percent to 10.9 percent.

Shipments from Pakistan were up 16.64 percent in the year to date to $62.83 million, Cambodian imports jumped 88.4 percent to $39.39 million and Sri Lanka's improved 16.02 percent to $15.58 million, while imports from Indonesia fell 35.26 percent to $12.83 million.

Rounding out the Top 10 suppliers were Egypt, which saw its shipments decline 1.08 percent in the quarter to $34.39 million, and Nicaragua, posting a 5.1 percent decline to $23.22 million.

Source: sourcingjournal.com – May 07, 2020

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Italian textile machinery orders decline in first quarter

ACIMIT, the Association of Italian Textile Machinery Manufacturers, has announced that during the first quarter of 2020, the orders intake of Italian textile machinery has registered a sharp drop. The COVID-19 pandemic has impacted heavily on the Italian textile sector. The consequences on the orders will be more negative in the second quarter.

The index of orders intake for textile machines drawn up by ACIMIT for the period from January to March 2020 fell by 31 per cent, compared to the same period of 2019.

The index value stood at 72.2 basis points (2015 = 100). Orders intake was negative both on foreign markets and in Italy. In the foreign markets orders were down 26 per cent, while on the domestic market they marked -57 per cent compared to the first quarter of 2019, according to a press release by ACIMIT.

“The orders index sank compared to 2019, a year already negative. Indeed in 2019 the Italian textile machinery industry observed a decrease both in production (-13 per cent) and in exports (-14 per cent) compared to the previous year,” Alessandro Zucchi, president of ACIMIT said.

Following a difficult year, the Italian textile machinery had to face COVID-19 pandemic, which led, as a first consequence, to the slowdown of the main markets in the sector, China, Turkey, and India, in the first month of 2020.

Source: fibre2fashion.com- May 07, 2020

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Heimtextil 2021 very popular, more than 95% space booked

The next edition of Heimtextil from January 12-15, 2021 in Frankfurt am Main is proving very popular as more than 95 per cent of space occupied last time has now been booked in midst of current coronavirus crisis. Heimtextil will offer international representatives from the sector a setting to launch a successful season for home and contract textiles in 2021.

"Even though predictions are difficult to make at present, we expect to be able to offer international players in the industry a first-rate, positive environment for their businesses in January 2021," said Olaf Schmidt, vice president textiles & textile technologies at Messe Frankfurt.

"The fact that more than 95 per cent of the space as compared to the last Heimtextil is now booked makes us feel very optimistic. We of course hope that the number of companies that end up in difficulty because of the crisis will be very low.

However, at this early point in time, the very good number of registrations and the concentration of industry participants at the trade fair gives us incredible momentum. As far as the pandemic is concerned, we are convinced that people will still want to meet in person to exchange their products – and perhaps more so than ever after this crisis year – and that personal contacts are the best prerequisite for good, long-term business. Virtual offers can of course complement global communication. But personal meetings and the experience of touch, especially in the field of textiles, will remain essential."

The world's biggest range of wallpaper and wall coverings will await visitors in hall 3.1. International highlights already registered to attend include Grandeco Wallfashion Group (Belgium), Graham & Brown (UK), Komar and Tapetenfabrik Gebr. Rasch (both Germany) as well as Limonta and Zambaiti Parati (both Italy).

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Source: fibre2fashion.com - May 07, 2020

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China exports see surprise 3.5% jump in April, imports fall

China's exports saw a shock 3.5 percent rise in April despite the global impact of the coronavirus pandemic, official figures showed Thursday, partly due to rising medical exports. But analysts warned of weakness ahead as key markets suffer downturns, as well as the brewing threat of a renewed trade war with the United States.

Imports fell 14.2 percent on-year, a steeper drop than last month, according to the Customs Administration. A forecast of analysts by Bloomberg had predicted an 11 percent dive in exports and a 10 percent plunge in imports.

Exports of medical instruments and devices rose 11 percent in the first four months from a year ago, according to customs data, while most other categories contracted. ING chief economist for Greater China Iris Pang told AFP that China's exports of medical supplies provided a boost as the rest of the world grappled with the pandemic.

Pang added that while exports of clothing shrank, sales of textile yarns, fabrics and other products grew, implying they were used to make medical supplies. Beijing says it has been successful in largely curbing the spread of the virus in the country, and many businesses and factories are now back at work after months of closure.

And Louis Kuijs of Oxford Economics noted that "April shipments may have been boosted by exporters making up for shortfalls in the first quarter due to supply constraints then".

In the January-February period, the height of China's coronavirus outbreak, exports plummeted 17.2 percent.

- US trade threat -

In spite of the bounceback -- the first return to positive territory for exports this year -- analysts do not expect the trend to last as China's key trading partners fall into recession.

And although the US and China signed a phase one trade pact in their bruising trade war in January, Julian Evans-Pritchard of Capital Economics warned that "the threat of additional US tariffs on Chinese goods shouldn't be ignored".

Customs data showed that in April China's trade surplus with the US widened from a year ago by 8.8 percent, to around $22.8 billion.

Over the last few months tensions have ramped up again as the two sides exchanged barbs over the pandemic and its origins, with US President Donald Trump recently threatening new trade tariffs against Beijing.

Nick Marro, global trade lead at The Economist Intelligence Unit, said that it could be hard for both sides to meet earlier commitments.

"Shipments from the US remain well below the levels needed to achieve the purchase pledges under the trade accord... with the deterioration in US-China ties, there's a risk that the US might act brashly," he said.

In China -- already tackling weak overseas demand and a lingering trade war -- virus recovery has been slow.

An independent gauge released Thursday, the Caixin PMI, showed that the services sector is still in contraction and below analyst expectations.

There are still some social distancing rules in places and fears about mounting unemployment are hitting consumer confidence.

The daily average of domestic trips over the Labour Day holiday at the beginning of May was half of last year's total, while daily tourism revenues fell 68 percent.

On Wednesday, Beijing pledged to roll out and improve on policies to keep employment stable, following an earlier series of support measures.

- Falling orders -

The rebound in exports contrasts against the official Purchasing Managers' Index data recently, which showed firms reporting insufficient demand and, last month, a sharp drop in new export orders.

Marro said China's exports data also showed considerable divergence from the rest of the region.

"The government seems committed to publishing positive headline GDP data for the second quarter, with a technical recession likely politically unpalatable," Marro said.

In contrast, the eurozone economy is expected to contract by a staggering 7.7 percent this year, while the US private sector has lost 20.2 million jobs last month alone, according to payrolls firm ADP.

Analysts have warned of an enormous impact on world trade from the pandemic, which has killed more than 260,500 worldwide.
Oxford Economics says global trade in goods and services could be cut by up to 15 percent in 2020, much larger than the decline during the 2009 global financial crisis.

The rise in exports from China in April confounded forecasts for a massive drop.

Source: au.news.yahoo.com - May 07, 2020

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Bank of England: UK economy to shrink by most since 1706

The Bank of England warned Thursday that the British economy could suffer its deepest annual contraction in more than three centuries as a result of the coronavirus pandemic, before bouncing back next year.

In what it describes as a “plausible” scenario, the bank said the British economy will be 30 per cent smaller at the end of the first half of the year than it was at the start of it, with the second quarter seeing a 25 per cent slump alone following a 3 per cent decline in the first.

Unemployment is projected to more than double to around 9 per cent, but that figure does not include the 6 million workers who have been retained by firms as part of a scheme that sees the government pay up to 80 per cent of salaries.

The central bank said the economy should start to recover during the second half of the year as the lockdown restrictions start to be lifted and “materially so” in the latter part of the period.

It noted that the timeliest indicators of UK demand have stabilised in recent weeks, albeit at very low levels, after unprecedented falls during late March and early April.

As a result, it anticipates that the economy will end up 2020 with a 14per cent contraction.

According to bank statistics, that would be the biggest annual rate of decline since 1706, and markedly more than anything seen in the aftermath of World War I when the economy was also laid low by the Spanish flu pandemic.

The projected fall is also three times more than the recession of 2008-9 during the global financial crisis.

Over the longer term, the bank thinks that the British economy could revive quickly if the pandemic comes under control globally.

It thinks that the economy could pick up by 15 per cent next year, which would be the biggest annual increase since 1704.

In fact, the bank expects the economy to be more or less back to where it was before the outbreak within three years, with the financial sector helping the corporate sector get through the strain.

“We expect the recovery of the economy to happen over time, although much more rapidly than the pull-back from the global financial crisis,” said Andrew Bailey, the bank’s new governor, who has only been at the helm since March.

“We expect that there will be some longer-term damage to the capacity of the economy, but in the scenario we judge these effects to be relatively small.”

That scenario clearly depends on how long the lockdown restrictions remain in place. The bank has assumed that both the furlough scheme and social distancing guidelines will be phased out between June and the end of the year.

It has meanwhile not factored in a second wave of infections.

The gloomy outlook was issued after the bank’s Monetary Policy Committee decided to keep its main interest rate at the record low of 0.1 per cent and opted against a further expansion of its bond-buying program.

Two of the nine policymakers wanted to increase the bank's stimulus program by another 100 billion pounds (USD 124 billion).

The policymaking panel had previously announced big cuts in interest rates, an expansion in its stimulus program and a sizeable lending program as it tries to contain the economic damage of the pandemic.
Bailey said the bank stood ready to support the economy further. Many economists think the bank will back another stimulus package in the next few months, and the reaction in financial markets was relatively positive, with the pound steady at USD 1.24.

"Having thrown the kitchen sink at the economic recovery, and been unafraid of acting in between meetings, it's not too surprising that the Bank of England has opted against making any major new changes this week," said James Smith, developed markets economist at ING. "After all, financial markets are calmer."

Source: financialexpress.com- May 07, 2020

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COVID-19 plays havoc with Cambodian Textile & Clothing business

Introduction of Cambodian Textile and Garment Industry

In the beginning of March 2020, Cambodia's multi-billion-dollar garment industry started facing difficulties in supply chain management due to the outbreak and spread of COVID-19. Apparel manufacturing is Cambodia's largest employer, contributing 40 per cent of the nation's gross domestic product.

More than 600 factories and 800,000 personnel are involved in the manufacturing of textiles and garments for international brands such as Adidas, Levi Strauss, H&M and Puma.

Cambodia's garment industry is recognised as the catalyst for the economic growth of the country. The sector contributed for approximately 86 per cent of all factory employees. Cambodia mainly exports jackets, jerseys and other clothing to the EU and the US.

The pandemic paralysed the country's key industries including the textile and garment industry by halting cross-border trade. Cambodia imported around $2.5 billion of textiles and clothing in 2016 from China and $484 million of other raw materials. Cambodia exported $9.3 billion (approximately 83 per cent of total exports from Cambodia) in clothing and footwear last year, according to the Ministry of Industry and Handicraft of Cambodia, with a year-on-year increase of 11 per cent.

Cambodia has maintained better economic growth rate of 7 per cent in 2019 under Hun Sen government who actively accepted investment from Chinese companies. But this huge dependency on China made Cambodia more vulnerable. Cambodia has been importing most of the products from upstream process (making threads and textiles) from China as it requires heavy investment.

China is the backbone of Cambodia's textile and garment industry. Cambodia's garment sector worth $7 billion is dependent on China for 60 per cent of its raw materials, mainly textile fabrics, according to Ken Loo, secretary-general of the Garment Manufacturers Association of Cambodia. As per Loo, the immediate shift from China to India and other countries for sourcing much of the raw material could not be done.

Negotiations with Chinese suppliers of raw materials ensured no shortage. But the production schedule in March and April would be partly delayed, subject to transport restrictions and the slow recovery of logistics in China.

Impact on Industry Stakeholders

With a depleting stock, factories have already started reduction in manufacturing and cut in overtime hours. As announced by the labour ministry, 10 factories have downsized the production lines by the end of February 2020. The daily shifts of approximately 3,000 employees have been slashed by five hours.

The contracts of 1,000 temporary contractors have been terminated in the past few weeks. Approximately 200 factories are anticipated to face shortage of raw materials in March 2020. Approximately 90,000 employees in 200 Cambodia's garment factories were expected to be suspended in the month of March 2020 with reduced supply from China.

This could cause removal of 160,000 workers and employees (approximately 20 per cent of the industry's 800,000 workers and employees). The garment workers of Phnom Penh's manufacturing district fear for cuts in their crucial overtime pay. They became very concerned about their jobs as the cloth is no longer coming into the factories. The PM of Cambodia requested China to provide the materials to avoid suspending workers.

Cambodian textile industry's demand is outstripping supply as China's distribution got shuttered. They could slide further if the disruption to supply chains persist. Even if the shortage lifts and Chinese factories resume taking orders, it takes approximately 40 days for a Cambodian garment factory to receive its order of fabric from China. The companies with low fabric stocks may face substantial business loss.

Government Support

Cambodia's General Department of Customs and Excise (GDCE) has provided the guidance to recover the weak shipping and garment sectors with low or completely suspended raw material supply from China. Officers were instructed to facilitate shipments for firms complying with rules and those in special economic zones (SEZs). The green lane customs clearance system has been extended. Prime Minister Hun Sen announced the government's drafted plan to support businesses in the garment and tourism sectors with suspended status of EBA from the EU and the spread of COVID-19. GDCE has been advised to work more efficiently, act with professionalism and cooperate closely with SEZs, ports and airports authorities, and transportation companies.

In February 2020, the Ministry of Labour and Vocational Training offered to compensate garment workers who are suspended from work due to the halt in Chinese imports of raw materials. Employees will receive $100 every month from the government, and an additional, undetermined amount from employers.

Cambodia's government has committed to compensate workers for more than 60 per cent of minimum wages if they lose employment. Under the policy, employers must pay 40 per cent of minimum wages while the government would cover about 20 per cent. But the manufacturers in China are not likely to return to full operation anytime soon. Hence the labour unions are sceptical about the ability of companies to continue providing this compensation for unemployment.

Prime Minister Sen had announced on March 9 that China was transporting raw textile materials to Cambodia to relieve some garment factories facing shortages. Five ships of raw materials were set at the dock of the Preah Sihanouk Autonomous Port and another two ships in Ho Chi Minh City, with expectation of first delivery in Cambodia on March 9.

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Source: fibre2fashion.com- May 07, 2020

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Apparel Resources steps in to assist coverall manufacturers with a comprehensive online 'Resource Guide'

Owing to the ongoing COVID-19 pandemic and its severe impacts on various businesses, PPE has been raised as a whole industry in India in a matter of just 2 months. Ever since the Indian Government has appealed to the manufacturers to produce body coveralls so that there is no dearth in supply of the same to the medical industry, hundreds of manufacturers located in different part of the country have shown their commitment towards the appeal.

However, the textile and apparel industry is uncertain as to how a technical product like body coverall, a part of PPE kit, should be treated while manufacturing. It's a matter of immense efforts that go into fabric engineering, manufacturing process, seam sealing and taping technology, and even the dispatch zone that needs a lot of awareness. Failing in any of these processes might put lives of first responders in danger who are fighting against the pandemic.

Apart from these efforts, there is a lack of proper knowledge of the right raw materials, production techniques and testing protocols across the supply chain including raw material suppliers, fabricators, Government procurement agencies and even with the end-user, frontline teams.

Apparel Resources, as a responsible media and knowledge-sharing platform, is cognizant that a lot is expected from the apparel and textile industry in a short duration and it is high time the industry joins hands to collaboratively find a solution. Henceforth, our team has created a comprehensive data in the form of a 'Resource Guide' to eliminate pertaining challenges in the body coverall manufacturing process.

Click here for more details

Source: in.apparelresources.com - May 07, 2020

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USA: Three fashion firms are securing financing to ride out the coronavirus maelstrom.

Like several of its peers, Mango is in the process of a reopening stores, dealing with governmental issues and in-store social distancing requirements. But the fashion giant is keeping an eye on the bottom line to ensure its financial house is in order.
Mango

Mango inked two new loan agreements the retailer says will "guarantee the company's cash flow until 2023."

One represents the Barcelona-based fashion group's first syndicated loan, a three-year lending facility for 200 million euros ($215.9 million) that has the backing of the Instituto de Crédito Oficial. The six banks participating in the syndicate are Banco Santander, BBVA, CaixaBank, Banco Sabadell, Ibercaja and Bankia.

"With this agreement, Mango is guaranteeing financing that is stable in the long term without having to provide additional guarantees, which will allow us to increase our cash flow and dispose of a bigger margin to deal with the impact COVID-19 has had on our business," Mango CEO Toni Ruiz said.

The other agreement is a three-year bilateral loan for 40 million euros ($43.2 million) with French bank Crédit Agricole, which also has the backing of the ICO.

Over the past three years, Mango has reduced its debt from 617 million euros ($666.1 million) to 184 million ($198.7 million), with last year's reduction totaling 131 million ($141.4 million). Those reductions have placed Mango in a "much stronger position to deal with the current situation," Ruiz said.

Mango to date has started the initial reopening of its store network in Europe, as well as in China. Some stores in 17 countries, such as Finland, South Korea and Indonesia, never closed. More than 600 of a total 2,188 stores are open, and online orders, representing 24 percent of total sales in 2019, remained active while brick-and-mortar operations were idle.

Ross Stores

Ross Stores Inc. has a new, unsecured 364-day credit agreement administered by Bank of America, according to a regulatory filing Wednesday with the Securities and Exchange Commission. The agreement provides the off-price retailer with the ability to borrow up to $500 million during the next 364 days. In March, like many other fashion and retail firms, the retailer had drawn down $800 million under its existing credit facility to build up cash reserves. The filing said Ross also amended certain covenants and other provisions in the existing credit facility.

Ross Stores had planned to open 100 new stores this year, but that was before the COVID-19 outbreak in the U.S. Following the outbreak and temporary store closures, the company also canceled merchandise orders to preserve its cash balances, and pushed out the time frame for when it paid vendors, factors said.

Kering Group

On Tuesday, Kering said it has issued a “dual-tranche bond” totaling 1.2 billion euros ($1.29 billion). The bond comprises a 600 million euro ($647.2 million) tranche, with a three-year maturity and 0.25 percent coupon, and a 600 million euro ($647.2 million) tranche, with an 8-year maturity and a 0.75 percent coupon.

The issues “enables Kering to diversify its sources of financing and to enhance its funding flexibility through refinancing of existing debt and extension of their average maturity,” the luxury fashion conglomerate said, adding that its long-term debt is rated “A-” with a “stable” outlook by credit ratings firm S&P.

The company last month posted first quarter results that mirrored the spread of the global pandemic, with sales starting off strong in the new fiscal year until late January and early February when the outbreak closed stores across Asia before invading Italy and beyond. Stores in Mainland China began reopening in March.

Source: sourcingjournal.com- May 07, 2020

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USA: Neiman Marcus Bankruptcy a Black Eye for One of Luxury's Leaders

After weeks of speculation, one of luxury's leaders has been stung by a bankruptcy filing brought on in part by a coronavirus-induced unraveling.

The Neiman Marcus Group has forged a restructuring agreement with the bulk of its creditors, and will implement the plan through a Chapter 11 filing bankruptcy on Thursday.

The upscale department store company filed the pre-packaged bankruptcy petition in a bankruptcy court in the Southern District of Texas. As part of the restructuring agreement, the luxury retailer has secured a $675 million debtor-in-possession financing facility from creditors. Neiman said the binding agreement has the support of holders representing over two-thirds of its outstanding debt and represents "broad commitment across credit classes."

The agreement allows Neiman to undergo a financial restructuring to "substantially" reduce its debt load and interest payments, as well as support continued operations during the coronavirus pandemic, the company said. Terms of the restructuring agreement will allow Neiman to eliminate $4 billion of its existing debt. In addition, the creditors have committed to providing a $750 million exit financing package upon the retailer's emergence from bankruptcy.

"Prior to COVID-19, Neiman Marcus Group was making solid progress on our journey to long-term profitable and sustainable growth.... However, like most businesses today, we are facing unprecedented disruption caused by the COVID-19 pandemic, which has placed inexorable pressure on our business," Geoffroy van Raemdonck, chairman and CEO, said.

Prior to the coronavirus outbreak, Neiman was able to grow its luxury customer base, expand customer-relationships, achieve higher omnichannel penetration and make "meaningful" strides on the journey to becoming consumers' go-to luxury platform.

"The binding agreement from our creditors gives up additional liquidity to operate the business during the pandemic and the financial flexibility to accelerate our transformation. We will emerge a far stronger company. In a world that is changing, we are uniquely positioned to give our brand partners access to our loyal luxury customers like no other company. We will deliver that through the strength of our associate relationships and digital solutions," van Raemdonck said.

Some Neiman Marcus, Bergdorf Goodman and Last Call stores have extended their temporary shutdowns through May 31. Shoppers can still shop on Neiman's and Bergdorf's e-commerce platforms, while associates and style advisors are available digitally as well. Previously announced furloughs and temporary salary reductions are set to continue through at least May 31, and will be revisited based on coronavirus developments.

The company has so far reopened a total of 10 stores nationwide for curbside pickup, including all Texas Neiman Marcus stores, as well as its Las Vegas, Tampa, Fla., and Tysons Corner, Va., doors. Starting this past Monday, Neiman Marcus stores in Atlanta and NorthPark, Texas, became available to customers by private appointment.

"The company will continue to assess store closure decisions and will reopen stores as it is safe to do so based on the status of the pandemic. The Chapter 11 process will not impact the timing of store re-openings," Neiman said.

The Chapter 11 petition filed with the bankruptcy court in Houston listed both estimated assets and liabilities each at between $1 billion to $10 billion. Twenty-three affiliated companies also filed petitions on Thursday. All 24 cases will be jointly administered.

The petition listed UMB Bank N.A., New York, N.Y., as the top unsecured creditor, holding senior two notes valued at $80.7 million and $56.6 million.

The top 10 unsecured trade claims held by fashion firms read like a who's who of luxury: Chanel Inc., Piscataway, N.J., $6.0 million; Veronica Beard, New York, N.Y., $4.3 million; Gucci America, Secaucus, N.J., $3.2 million; Dolce & Gabbana, Secaucus, N.J., $2.7 million; Stuart Weitzman Inc., Fort Lauderdale, Fla., $2.6 million; Theory LLC, Lyndhurst, N.J., $2.5 million; Christian Louboutin, New York, N.Y., $2.3 million; Yves Saint Laurent, Secaucus, N.J., $2.2 million; Burberry USA, New York, N.Y., $2.0 million, and Akris Pret A Porter, New York, N.Y., $1.8 million.

Neiman employs 13,201, according to bankruptcy court documents, with 9,545 full-timers and 3,656 part-time staff. On April 5, the luxury chain furloughed 11,282 full- and part-time workers amid increasing bottom-line pressure from dwindling revenue from virus-related store closures. The balance of 2,208 employees still on the payroll fill out the company's limited business operations, such as filling online orders.

Neiman's gained its bloated debt load in the aftermath of a pair of leveraged buyouts. TPG Capital and Warburg Pincus, both private equity firms, acquired the luxury retailer in 2005 for $5.1 billion. They sold their holdings in 2013 for $6 billion to Ares Management, another private equity firm, and the Canada Pension Plan Investment Board.

While Neiman last year executed a distressed debt exchange, the "debt burden ultimately proved insurmountable, particularly given near term operating challenges related to the coronavirus pandemic," David Silverman, senior director at credit ratings firm Fitch Ratings, said.

"The Neiman Marcus name is not going away any time soon. But, the only thing that saves retailers, like Neiman Marcus, is the strong presence of their legacy and name in the marketplace, giving the company an opportunity to be marketable and conduct substantial business in the future and eventually become profitable again," Joseph Acosta, a bankruptcy attorney at Dorsey & Whitney, said.

The Chapter 11 process, he added, will help the retailer shed less profitable locations and deleverage its balance sheet, "leaving it a much stronger company when it emerges from bankruptcy."

Founded in 1907 with one store in Dallas, Neiman has grown to encompass 67 stores across the Neiman Marcus, Bergdorf Goodman and Last Call nameplates, though it largely pulled out of the off-price business in March.

Neiman expects to emerge from bankruptcy in early fall. Its Mytheresa.com luxury e-commerce business is not part of the filing and operates as a separate entity.

Source: sourcingjournal.com- May 07, 2020

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Global retail sales to decline by 9.6%

According to a new Forrester report. with the COVID-19 pandemic ravaging several industries amid poor consumer spending, global retail sales in 2020 will decline by an average of 9.6 per cent, resulting in a loss of $2.1 trillion

The impact on India and Japan is to be severe due to the strict lockdowns, the declaration of a state of emergency in Japan, and the postponement of the 2020 Summer Olympics.

The likelihood is that the epidemic will last seven months, and from 2021 retail categories, that have declined by more than 10 per cent, will only bounce back to 90 per cent of pre-pandemic spend.

In the worst-case scenario, lost online sales could reach $510 billion, and even in the best case, retailers will lose $244 billion in online sales, the report mentioned.

In 2020, there will be a significant decline in global retail sales, particularly with non-essential items sold offline, which will be a big challenge for brick–and–mortar retailers. While offline non-grocery retail will contract by 20 per cent, eCommerce sales will remain flat this year.

In Asia Pacific, the loss of sales is predicted to reach $767 billion in 2020, a decline of 10 per cent from 2019.

China is the most negatively affected country in the region, with $192 billion of retail sales lost in January and February.

Online sales will remain flat, and an average of $360 billion in online retail sales will be lost globally in 2020 compared to pre-COVID-19 forecasts.

In 2020, global online retail sales will grow by only 0.6 per cent compared to 2019.

In the US, retail sales will fall by $321 billion in 2020, a decline of 9.1 per cent from 2019.

Source: fashionatingworld.com- May 07, 2020

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Pakistan: Our cotton textile cash earner

The largest manufacturing industry in Pakistan, it contributes 8.5% to our GDP and employs about 45% of the country's labour force and 38% of its manufacturing workers. The 4th largest producer of cotton with the third largest spinning capacity in Asia after China and India, Pakistan contributes 5% to the global spinning capacity. Today 1,221 ginning units, 442 spinning units, 124 large spinning units and 425 small units produce cotton textiles.

The textile manufacturing sector – the single largest export-oriented sector of Pakistan -recently spiked to full-capacity production after the government withdrew duties and taxes on import of the raw cotton in January 2020. Islamabad got higher export orders for textiles since China, the single largest textile exporter at world across, was temporarily closed to fight against the deadly coronavirus for the past couple of months. The export of finished goods had been on the rise while the export of raw material including cotton and yarn are on a downward trend, this was a very positive development for Pakistan's economy. The sector achieved the set export target of $24-25 billion this fiscal year (July-2019 to June 2020). However the coronavirus lockdown has badly hit Pakistan.

The textile sector is in shambles with many of their international orders have been cancelled or asked to suspend the shipment of ordered goods for at least three weeks and longer. With textile retailers and outlets closed, there is a complete disruption in the entire domestic textile supply chain, putting at risk the jobs of thousands of factory workers. Pakistan's textile exports dipped by 4.46% in March. The country's textile exports stood at $1.039 billion in March 2020 as compared to $1.088 billion in same month of previous year, according to latest data of Pakistan Bureau of Statistics (PBS). Contrast that with Pakistan's textile and clothing exports jumping nearly 17% year-on-year in February.

The January 2020 draft of GOP's Textile Policy spells out the steps needed to be taken to revive textile exports which include (1) Restoring profitability of cotton farmers by increasing cotton yield, improving quality of cotton and decreasing the cost of production (2) Strengthening manmade fiber/filament sector to make this chain internationally competitive and export-oriented; (3) Regionally competitive energy pricing fixed for five years; (4) Prompt Sales Tax Refund System; (5) Abolition of Zero- Rating has created serious liquidity crisis for exporting sectors as the current refund system is soaking up market liquidity and is not working; (6) Long

Term Financing Facility for the entire textile value chain; (7) Revival of impaired textile capacity and introduction of bankruptcy law. (8) Establishment of Textile clusters and Export Processing Zones with "plug and play" facilities.

This draft policy mirrors the situation before the coronavirus crisis. Therefore, a new policy or an amended policy outline must be developed immediately to meet the emergency. Whenever the lockdown is lifted it will take time to revive the economy at large and the textile sector in particular. The immediate direct impact of the pandemic will be long-lasting, the economic recession can span a year or even more than that.

The longer lockdown is continued, the deeper the debilitating impacts to the economy will be and the slower the recovery will be. In addition, global demand and consumption are showing a definite slump and all major economies are facing the same difficulties. That means export markets will also need time to recover – time that has to be used to keep previously existing market shares at least intact. With fashion weeks and textile fairs cancelled one could go online to keep in touch with old customers and present new ideas and developments.

The revival of the textile sector will need support, a majority of jobs in the manufacturing sector depend on it. GOP needs to formulate a strategy that can prevent the economic slump from turning into an immense financial crisis. We have to take risk and finish the lockdown in the textile sector to take up the slack. A relief package will help to rescue the textile sector. Some immediate measures that could come into that package could be to release the sales tax refunds under the Rs.100 billion relief package for the textiles exporters to resolve cash-flow problems.

The salaries of the factory workers during the time when the production is down or not fully revived could be partially subsidised by the government. Tax concessions like the turnover tax and sales tax could be considered. The banks in our country have made good profit and should be encouraged to help our industry to take off after the lock-down by either waiving interest for pre-pandemic loans or at least considerably lowering the interest rates.

The revival of textile exports cannot be achieved with the quantity and quality of cotton produced in Pakistan. For the financial year 2020 about. 15 million bales of cotton are required but only half of that amount is produced locally. That means either the area under cotton has to be raised or the yield has to be improved or both. Compared to other countries our yield per acre is quite low. In addition, the quality of the cotton produced in Pakistan needs to be improved urgently so as to substitute the import of high-quality Egyptian cotton for high-quality demand in textiles. One option that certainly hits the right nerve of the global market is to switch to the production of organic cotton instead of the gene-manipulated variety common in Pakistan that is susceptible to diseases and need a lot of pesticides.

The slump in demand caused by the coronavirus crisis gives a time window of opportunity to actively work on implementing such a policy change. In addition, what needs to be improved is the infrastructure so that cotton can be handled cautiously, transport to the next processing module is short, does not face delays which would diminish the quality of the good.

GOP's textile division declared on its webpage that "The textile sector in Pakistan has an overwhelming impact on the economy, contributing 60% to the country's exports. In today's highly competitive global environment, the textile sector needs to upgrade its supply chain, improve productivity, and maximize value-addition to be able to survive. The objectives of the Textile Industry Division are to formulate strategies and programme to enable the textile sector to meet these challenges and attain global competitiveness."

Let us see whether these nice words match deeds on the ground. Success will depend upon implementing the good plans. There is a cycle between cotton production (the agriculture sector) and the textile industry (the manufacturing sector). Both in agriculture and manufacturing, cotton is the backbone of providing the maximum number of jobs in the country. We can only do a lockdown in these sector at the cost of our existence, the disruption of the supply chain from the field to exports will be disastrous. To keep the mainstay of the economy going, we have to take calculated risks.

Source: dailytimes.com.pk - May 08, 2020

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Bangladesh: Textile millers missed sales of Tk 20,000cr

Shahid Alam, a yarn manufacturer for the local garment industry, used to sell cotton yarn worth Tk35 crore a month, and more so on the occasions of Pahela Baishakh and Eid-ul-Fitr. But this year has been starkly, depressingly different. His factory in Narayanganj has been bolted shut for the past one-and-a-half month for the countrywide shutdown enforced on March 26 to flatten the curve on coronavirus. Unfortunately, both the mega sales events took place during this time, leaving him and his sector ruing missed sales to the tunes of Tk 20,000 crore.

The local millers produce fabrics for salwar kameez, curtains, home textile, sari, lungi, hand towels and so on. With the increase in purchasing power capacity for Bangladesh's tremendous growth momentum, sales of the goods had been increasing on the two occasions. The weavers, dyers, printers and spinners say they were deprived of Tk 5,000 crore in lost revenue during Pahela Baishakh and another Tk 15,000 crore in Eid, which is three weeks away.

Every year, almost all the Eid sales would be cleared from factories in the first week of Ramadan. But this time, the factories remain firmly shut in the first week of the fasting month, which began on April 25. The slump in production at the mills has negatively impacted the sales of garment, dress materials, sari and lungi in the country's major wholesale hubs such as Baburhaat, Islampur, Sirajganj and Madhabdi.

Subsequently, the Bangladesh Textile Mills Association (BTMA) has called for government support. "There are so many micro, small and medium units serving the local markets, but they are not enjoying the government benefits," said BTMA President Mohammad Ali Khokon.

There are about 11,000 micro, small, medium and large spinning, printing, dyeing and weaving mills, according to the association. So far, three members of the BTMA sent letters to the association because the banks are not cooperating with them in availing the fund from bailout package, said Monsoor Ahmed, secretary of the trade body.

Source: thedailystar.net - May 08, 2020

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NATIONAL NEWS

India can notch up incremental exports of $20 bn in next 5 years, if opportunities are capitalised on: SBI's Ecowrap

India can look at incremental exports growing by $20 billion (in the least favourable outcome) to a significant $193 billion jump in the five-year horizon only if it builds its capabilities and captures share from China, according to State Bank of India's economic research report 'Ecowrap'.

Although 2020 is a lost year in terms of trade, India can think long-term and build relations so that it can occupy the space vacated by China, the report said.

India has a very small manufacturing base as compared to China and the government will have to give a significant push, both in terms of strategic relations and structural reforms, it added.

"When we look at the value of merchandise exports for 2019, China exported $2.5 trillion worth of goods, while India exported $0.3 billion worth of merchandise. This means that China exports seven times the amount of goods India exports in a year," Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI, said.

The report said the manner in which India manoeuvres the geo-political space will clearly determine how successful it is in becoming an export behemoth.

"With just 1.7 per cent in global merchandise exports, India has a long road ahead to catch up with China. But it must be now, now and now !" it said.

Referring to Vietnam, which has rapidly captured merchandise exports, the report observed that it is also said that a fair number of the factories being rapidly put up in that country are owned and financed by the same Chinese companies being dislodged in their home country. However, there is no denying the fact that Vietnam has gained in this trade war, with its cheap labour and cheap currency.

Ecowrap noted that although the Revealed Comparative Advantage (RCA) for India is lower than China as far as capital goods exports are concerned, India can still capitalise on this opportunity to push its capital goods exports. However, the bigger opportunity right now is in the consumer goods sector, in which India has an RCA greater than China, it added.

Within consumer goods, the biggest concentration of micro, small and medium enterprises (MSMEs) in the country is in the textile and clothing sector (17.30 per cent), followed by food products (12.30 per cent) and crop and animal production (10 per cent).

"Although we do have comparative advantage in textiles and animal goods, in food products we are not competitive. The government can give a direct push to this sector, so that MSMEs involved in the manufacture of food products are benefitted," the report suggested.

Source: thehindubusinessline.com – May 07, 2020

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SEZ units want a waiver of customs duties for domestic sale as global orders crash

Due to the spread of Covid-19 pandemic, export orders for SEZ not expected to revive soon

Facing largescale cancellation of their global orders due to the spread of the Covid-19 pandemic, units in Special Economic Zones (SEZ) want the government to allow them to sell their products in the domestic market (Domestic Tariff Area) without payment of customs duties.

"..SEZ units should be allowed to make DTA sale on payment of duty in line with EOU (export-oriented units) i.e. equivalent to duty forgone on the raw material used in the manufacture of finished goods sold in DTA market. This will help these units to survive in the domestic market.

Further, this will help the SEZ units to continue their manufacturing process, utilise their plant and machinery and engage the workforce, which is idle due to this pandemic situation," the Export Promotion Council for EOUs and SEZs (EPCES) pointed out in a letter to Commerce & Industry Minister Piyush Goyal.

Not only are many export orders of SEZ units have been cancelled due to the spreading pandemic and manufactured products are lying idle in units, there will also be minimal export orders in the near future, the EPCES pointed out. At the moment, SEZs are also not able to sell their products in the domestic market, as payment of customs duty as per Section 30 of SEZ Act, 2005, was making their products uncompetitive, it said, adding that customs duties should soon be waived.

To attract potential investors in a world hit by the Covid-19 crisis, the government should consider extending the income tax exemption benefit for SEZs which were withdrawn in March 2020, said Anand Giri, Deputy Director-General, EPCES, speaking to BusinessLine.

“If an extension of tax exemption is not acceptable to the government, it should at least reduce the corporate income tax may for SEZs to 15 per cent and also pare the Minimum Alternate Tax rates,” he said.

The Ministry of External Affairs may also direct their foreign missions in various countries to find out potential investors and buyers and arrange buyer-seller meets or joint venture meets with foreign entities which are trying to shift their business into India or want to do business with Indian companies, he added.

Stressing on the need for support from the government, the letter pointed out that the EOU & SEZ sector was one of the biggest earners of foreign exchange, attracted foreign investment and generated large-scale employment and contributed about 34 per cent to the export basket of the country.

As per industry estimates, EOUs and SEZs provide direct employment to more than 25 lakh person and have attracted investments of more than ₹5.50 lakh crore.

In 2018-19, SEZ units exported goods worth ₹7.01 lakh crore while DTA sales were worth ₹1.2 crore.

Source: thehindubusinessline.com- May 07, 2020

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Have requested FM Sitharaman to expedite tax refunds for firms: MSME Minister Nitin Gadkari

Union minister Nitin Gadkari on Thursday said he has requested Finance Minister Nirmala Sitharaman to expedite processing of tax refunds to businesses "anyhow" within eight days to ease the liquidity crunch being faced by MSMEs during the lockdown.

The minister said he was constantly in touch with the Prime Minister and Finance Minister and there was "serious consideration" underway in the government regarding unveiling of another financial package soon. "GST and Income Tax refunds are not released for several days. I have also recommended that anyhow, this should be processed within eight days so that it contributes to liquidity. We have…communicated this to the Finance Minister," said Gadkari.

Addressing a webinar organised by the Indore Management Association, the minister for MSME and Road Transport and Highways said industries should keep a positive outlook and tap the opportunities that may arise after the COVID-19 pandemic is over.

He called upon the industry to ensure that necessary measures are taken to prevent the spread of COVID-19. Organisations should ensure that their workers and executives are taken care of by providing food, shelter and maintaining social distancing norms, he added. Gadkari stated that all the stakeholders must adopt an integrated approach to come over the crisis while safeguarding the lives and livelihood of the people.

The minister emphasized that special focus towards export enhancement is the need of the hour. He highlighted the need to focus on import substitution to replace imports with domestic production. Gadkari further said Japan has offered a special package to its industries for taking out Japanese investments from China and moving elsewhere. He opined that the current scenario is an opportunity for India which should be grabbed.

Some of the major issues highlighted by industry participants included increasing provision of 10 per cent of working capital limit as additional funds to 30 per cent, benefit for labourers infected by COVID-19, relaxation in labour laws, deferring GST and advance tax, among others. Gadkari assured the representatives of all possible help from the government. The minister said he would take up the issues with related departments.

Source: financialexpress.com- May 07, 2020

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MSMEs need govt push to benefit from comparative advantage over China-made consumer goods: Report

The government needs to give direct push to MSMEs to ramp up export of consumer goods to reap the benefits of its comparative advantage over products made in China in the post-pandemic world, a report said.

India can look in the range of incremental exports growing by USD 20 billion (in the least favourable outcome) to a significant USD 193 billion jump in the five-year horizon, only if it builds its capabilities and captures share from China, according to SBI's Ecowrap report released on Thirsday.

"Although, the revealed comparative advantage (RCA) for India is lower than China as far as capital goods exports are concerned, India can still capitalise on this opportunity to push its capital goods exports.

"However, the bigger opportunity right now is in the consumer goods sector, in which India has an RCA greater than China," said the report.

Looking at the micro, small and medium enterprise (MSME) profile of the country in terms of the consumer goods sector, the biggest concentration is in the textile and clothing sector (17.30 per cent), food products (12.30 per cent) and crop and animal production (10.0 per cent).

"Although we do have a comparative advantage in textiles and animal goods, in food products we are not competitive. The government can give a direct push to this sector, so that MSME firms involved in food products manufacturing get benefitted," the report said.

It further said that although 2020 is a lost year, in terms of trade, India can think long-term and build relations so that it can occupy the space vacated by China.

"When we look at the value of merchandise exports, for 2019, China exported USD 2.5 trillion worth of goods, while India exported USD 0.3 billion worth of merchandise. This means that China exports 7 times the amount of goods India exports in a year," it said.

Taking a look at Vietnam, which has rapidly captured merchandise exports, it is also touted that a fair number of the factories being rapidly put up in Vietnam are owned and financed by the same Chinese companies being dislodged in their home country, the report said.

However, it added that there is no denying the fact that Vietnam has gained in this trade war, with its cheap labour and cheap currency.

"How India maneuvers the geopolitical space will clearly determine how successful it is in becoming an export behemoth. With just 1.7 per cent in world''s merchandise exports, India has a long road ahead to catch up with China. But it must be now...," it asserted.

As per the report, India is one country that can fulfill global demands with its sizeable population. However, India will have to take a hard look at its labour reforms and currency outlook to gain market share.

Although COVID-19 can dampen demand for the coming years, it does provide an opportunity for global trade rebalancing, and India needs to play its cards right to gain something out of this catastrophe, said the SBI Ecowrap report.

Source: outlookindia.com- May 07, 2020

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Govt expects over 300% jump in restructured MSME loans by year-end; urges industries to clear dues

MSME Minister Nitin Gadkari on Thursday said that the government is expecting restructuring of 25 lakh MSME loan accounts by December this year up from 6 lakh till March 31 – over 300 per cent increase.

The minister added that the government has made some decisions to help MSMEs grow in the post-Covid scenario such as increasing their working capital limit by 20 per cent. “We have also deferred (loan) repayments for three months.

We have told many things to the government like ensuring immediate income tax and GST returns for (bringing) liquidity into MSMEs.

We have also asked for the dues stuck in NHAI and other government departments to be released soon. Unless there is liquidity, the economic wheel won't move," Gadkari told the members of Indore Management Association in a webinar.

According to the Reserve Bank of India (RBI), as per the Nayak Committee Report, the working capital limits to small scale industries (SSI) units is computed on the basis of at least 20 per cent of their estimated turnover up to the credit limit of Rs 5 crore.

The RBI in its monetary policy review meeting in February this year had announced extending the debt restructuring scheme window to December 31, 2020, without an asset classification downgrade to MSMEs that were in default as on January 1, 2020.

Source: financialexpress.com- May 07, 2020

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MSME sector is on the verge of collapse, says Nitin Gadkari

Union Minister Nitin Gadkari on Thursday said that micro, small and medium enterprises (MSME) sector is on the verge of collapse, and urged major industries to release the outstanding dues to such companies within a month. He said that the position of MSMEs was the "worst" as they were now engaged in a "battle for their survival".

The Minister also noted that the pendency of dues owed to MSME units by the Central government, State governments, public sector undertakings and major industries was "very high".

"My request to all of you, as members of major industries, if it is possible for you to at any cost release the payment within a month. Don't take more time than that otherwise, the situation is very bad," the MSME Minister said in an interaction via video-conference with the members of SIAM Institute.

"But still if anywhere you have a problem, please be positive about this sector, because this is really on the verge of collapse. Now it is a very important thing if you can help them, within a month if you can give their payment it will be good," Gadkari said.

The Minister said that he was trying to introduce a scheme envisaging setting up of a “rolling fund”, where the interest cost on the payments due to MSMEs shall be borne either by the supplier or the purchasing industry. Gadkari said the “rolling fund will be helpful for MSMEs to get their working capital.”

Fund for MSMEs

Last month, he had said the government will set up a Rs 1 lakh crore fund to repay outstanding payments to MSMEs owed by the central and state government undertakings as well as major industries.

Gadkari had said he has devised a scheme to set up the fund, and the proposal may be placed before the Cabinet for approval once the finance ministry gives its go-ahead.

“We have decided to set up a fund of ₹1 lakh crore. We will insure this fund with the government paying the premium. We will come up with a formula for sharing of the interest burden between the paying entity and payment-receiving entity and banks against this fund, for the payments due to MSMEs which are stuck with the PSUs, centre and state governments and major industries, Gadkari had said.

Source: thehindubusinessline.com- May 07, 2020

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Coronavirus lockdown | Government working on new scheme to attract foreign investment

The central government is planning to come up with a plan to help attract foreign direct investments (FDIs) into India by early next month.

"The government is working on something. A detailed scheme will soon be announced," a senior government official told Moneycontrol.

The government is working on having a more liberalised FDI regime, in order to tackle the economic fallout of COVID-19 pandemic. "Nothing has been finalized yet. Maybe rules and other process-related hurdles can be eased further so that better investments can flow in," the official said.

As a part of the new scheme, the government is also planning on a land pool which could be used to offer land to interested countries. "Acquiring land is an issue here, there are a lot of legal hurdles. That's the biggest challenge for companies looking at India as a viable option. The government will try to make that less tedious," the official said.

One of the key focus areas to promote manufacturing would be textiles. "We are in the process of selecting other sectors too. Pharmaceuticals could also be one. But textile would be the key focus, as it needs handholding," the official said. After agriculture, India's textile sector is considered to be the next biggest employment generator in the country. It employs over 105 million people.

The pandemic came at a time when the sector was battling sluggish growth after demonetisation and the Goods and Services Tax (GST) implementation. Eleven countries buy 41 percent of India's cotton yarn exports and these countries have reported COVID-19 cases, according to the Cotton Textiles Export Promotion Council (Texprocil).

In value terms, yarn exports are down 30 percent in January-February against a year ago. Cotton yarn exports to China, Iran, Korea and Vietnam have seen a steep decline.

The US and Europe are the two largest markets for Indian textile exporters. Both are imploding with new cases every day. The pandemic has killed more than two lakh people worldwide, with the UK reporting the highest death toll in Europe. The US has reported over 70,000 deaths.

The pandemic has already led to big fashion labels announcing the cancellation of orders and relieving labour. Macy's, the US-based retail giant, has announced that it would grant leave to most of its 1,30,000 employees. British luxury giant Burberry has predicted a steep drop in sales of about 70-80 percent.

The UK-based retailer Primark has cancelled all new orders and Inditex (the owner of popular brand Zara) has written off some $336 million worth of inventory.

"There is a lot of untapped opportunity in the textile sector. World over, the sector has been hit hard. There can be a case of taking advantage of this downturn and making it work in our favour," the official said.

Source: moneycontrol.com- May 07, 2020

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Procedural relief to GST payers, but experts say no substitute for financial package

The government has provided more procedural and compliance-related relief to GST taxpayers, but experts said these measures are not a substitute for a stimulus package in the form of tax relief to help struggling businesses, especially MSMEs.

Among the measures announced late on Tuesday, the government extended the e-way bill validity for the second time since the lockdown was imposed. The e-way bill generated on or before March 24 and expiring during the March 20-April 15 period would now be valid till May 31. This is likely to help trucks stuck en route to reach their destinations.

Further, the notification extended by three months the deadline for furnishing the annual return and GST audit for financial year 2018-19 to September 30.

Additionally, a taxpayer can now furnish monthly return GSTR-3B showing nil sales through SMS using the registered mobile number. This return would be verified by a registered mobile number based one-time password (OTP) facility, the notification said.

These procedural reliefs will support basic finance functions of the industry, however, what MSMEs need currently is a big stimulus package, without which millions of jobs could be threatened," Rajat Mohan, senior partner at AMRG & Associates, said.

Pritam Mahure, a chartered accountant, said the Covid-19 pandemic has left no choice for the government but to provide substantial tax relief for businesses as procedural relief would only help them manage the compliance burden.

Source: financialexpress.com- May 07, 2020

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'Replace China': India looks to lure more than 1,000 US businesses

India expects to win over US companies involved in healthcare products and devices, and is in talks with Medtronic Plc and Abbott Laboratories on relocating their units to the country, an official said.

India is seeking to lure US businesses, including medical devices giant Abbott Laboratories, to relocate from China as President Donald Trump's administration steps up efforts to blame Beijing for its role in the coronavirus pandemic.

The government in April reached out to more than 1,000 companies in the US and through overseas missions to offer incentives for manufacturers seeking to move out of China, according to Indian officials who asked not to be identified, citing rules on speaking with the media. India is prioritizing medical equipment suppliers, food processing units, textiles, leather and auto part makers among more than 550 products covered in the discussions, they said.

Trump's move to blame China for its handling of the Covid-19 outbreak, which has killed more than a quarter-million people worldwide, is expected to worsen global trade ties as companies and governments move resources out of the world's second-largest economy to diversify supply chains. Japan has earmarked $2.2 billion to help shift factories from its neighbour, while European Union members plan to cut dependence on Chinese suppliers.

India expects to win over US companies involved in healthcare products and devices, and is in talks with Medtronic Plc and Abbott Laboratories on relocating their units to the country, an official said. Medtronic spokesman Ben Petok and Abbott spokeswoman Darcy Ross didn't immediately respond to emails seeking comment.

Both Medtronic and Abbott have a presence in India, which may make it easier for them to move their China supply chains to the country, according to an official. They're based out of financial center Mumbai and already work with large Indian hospital groups.

Officials have told companies that India is more economical in terms of securing land and affordable skilled labor than if they moved back to the US or Japan, even if overall costs are still higher than China. They have also offered an assurance that India will consider specific requests on changes to labor laws, which have proved a major stumbling block for companies, and said the government is considering a request from e-commerce companies to postpone a tax on digital transactions introduced in this year's budget.

India's trade ministry spokesman didn't respond to an email seeking comment on the effort to lure US companies.

The push by Prime Minister Narendra Modi's government comes as India tries to regain lost ground after many companies chose countries like Vietnam over India as an alternative destination when Trump started his trade war with China. Modi has tried to shore up US investments and improve ties through corporate tax cuts, two massive public rallies with Trump in Houston and India, and a $3 billion defense deal.

Secretary of State Michael Pompeo last month said the US was working with India, Australia, Japan, New Zealand, South Korea and Vietnam on how to "restructure these supply chains to prevent something like this from ever happening again." The administration was "turbocharging" an initiative to remove global supply chains from China, Reuters reported this week, with one official saying it's pushing for an "Economic Prosperity Network" of trusted partners.

'Replace China'

"My read is that the network, if it pans out, will look to India and Vietnam to replace China in the global supply chain network," said Derek Grossman, researcher at the Washington-based RAND Corporation who held positions in the US Intelligence Community for more than a decade. "This would be a rough fit in terms of replacing China's immense manufacturing capabilities, but perhaps the US has high hopes that India and Vietnam can quickly ramp up to at least equal Chinese capacity."

India in April partially lifted a ban on the export of hydroxychloroquine and paracetamol following a request from Trump. It also approved 130 billion rupees ($1.7 billion) worth of investments to make more bulk drugs and medical devices, and to boost local manufacturing of drug intermediates and active pharmaceutical ingredients to cut dependence on imports from China.

For Modi, a surge in investment would help shore up an economy battered by an eight-week nationwide lockdown to control the Covid-19 outbreak, and help him make up ground hitting a target to grow its manufacturing sector to 25% of gross domestic product by 2022 from 15%. The need to create employment is now even more urgent after the pandemic left 122 million people jobless and forced India to shut down all major cities.

It could also present India with a chance to finally push through long-stalled reforms on land, labor and taxes that have hindered investment for years. Modi’s second term has been marred by nationwide protests and slow growth since his party scored a landslide election victory a year ago, presenting a risk for companies planning to move.

“There are opportunities for India to try to gain a place in global supply chains, but this will require serious investments in infrastructure and governance,” said Paul Staniland, an associate professor at the University of Chicago who writes about India’s politics and foreign policy. “India faces tough competition from elsewhere in South and Southeast Asia.”

India’s trade ministry has sought detailed feedback from US companies on changes needed to make the country’s tax and labor laws more favorable to companies, said one of the officials. Modi’s federal government is working with states to ensure long term solutions, the official added, including developing land banks to ensure a quick start for units.

Tax Reform

“India is a bigger market than Vietnam or Cambodia so it should be a bigger draw for investors looking to move operations out of China,” said Ajay Sahai, director general and chief executive officer of the Federation of Indian Exporters. “But apart from ensuring land, water and sewerage, the most important change India needs to make is to give a clear guarantee that the government will not introduce retrospective tax amendments.”

Some states including Maharashtra have ensured that supply chains for foreign manufacturers remained functional through India’s national virus lockdown. Others like Tamil Nadu in the south and Uttar Pradesh in the north have offered concessions for those planning to move.

“There’s abundant capital in the US that’s looking for geographies outside, and we can see India responding,” said Mukesh Aghi, president of the US-India Strategic and Partnership Forum, a Washington-based group that advocates for policies that further business ties between the countries. "Companies realize that while large supply chains in China may have been economical, there's no point in keeping all your eggs in one basket."

Source: hindustantimes.com - May 07, 2020

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Indian spinners stare at $3-billion loss in FY21: Icra

The Covid-19 pandemic is hitting the domestic cotton spinning sector hard, with performance in FY21 likely to be at multi-year lows. Amid severe demand disruptions, pressure on realisations as well as contribution margins, the operating income of cotton spinners is expected to decline 15-20% on a year-on-year basis, while the operating margins are estimated to correct by 200-400 bps for the full year FY21, compared to the FY20E levels, said an Icra note on Thursday.

This comes at a time when the Indian spinning sector was just starting to come out of a challenging FY20 that saw severe demand-side pressures and unfavourable movements in raw material prices and yarn realisations.

There had been a visible weakening in credit profile of domestic spinners in FY20, corroborated by a credit ratio (upgrade to downgrade) of 0.35 times during the year. With widening impact of the pandemic and no meaningful recovery in sight, at least in H1 FY21, Icra is maintaining the negative outlook on the cotton spinning sector, assigned in August 2019.

This apart, weak demand outlook for India's apparels and home textile exports is expected to affect yarn consumption by the downstream companies engaged in exports.

"With expectations of a slow paced and elongated recovery post the initial lockdowns, we expect severe pressures on the performance of the domestic spinning companies in FY21, and a loss of business to the tune of $2.5-3 billion in FY21," said Jayanta Roy, senior vice-president and group head, corporate sector ratings, Icra.

Demand for the downstream products such as fabrics, apparels and home textiles, has been sluggish beginning March 2020, amid the lockdown across nations.

Being vulnerable to consumer sentiments and discretionary spending, downstream segments are likely to witness severe demand-side pressures over the next two quarters as well, even after the initial lockdown is lifted. Yarn, being an intermediate product, is likely to face a ripple effect of the contraction in demand in the downstream segments.

Icra expects India's cotton yarn exports to fall 18-20% to nearly a decade-low level of 750 million kg in FY21, closer to the level of exports last seen in FY12, following an estimated 25% decline in FY20, as domestic cotton yarn remained uncompetitive in global markets during much of the previous year. The situation is likely to worsen, given the supply glut situation, which is currently evolving in China.

As the lockdown in China was lifted from the beginning of April 2020 onwards, spinners there have been scaling up operations even as demand from the downstream segments remains subdued amid weak domestic consumption demand as well as lack of demand in the export markets. As a result, there are reports of inventory pile-ups in China.

Besides affecting direct demand from China, as it generally consumes 8-10% of India's cotton yarn production, the supply glut in China is likely to result in an increase in competition for India's cotton yarn in other overseas markets as well.

"Though performance pressures are expected across the spectrum, highly leveraged entities in lower rating categories would remain more vulnerable over the next few quarters, with heightened challenges of increased working capital requirements and diminishing order book position.

In comparison, we expect the impact to be lower on credit profiles of companies with an established customer base, low term debt obligations and companies which have stocked lower cotton fibre at high prices," Roy said.

Source: financialexpress.com- May 08, 2020

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Safeguarding labourers during Covid-19

The vague legal definition of 'worker' sabotages inclusive and eligible delivery of welfare to all workers during the pandemic

The Covid-19 health emergency has disrupted trade, mobility and livelihood in unimaginable ways. The magnitude of the crisis grows manifold when social and economic shutdowns accompany it, and the uncertainties of livelihood, wage loss and lay-offs might last longer than expected as Covid-19 has hit almost all sectors. To reduce the impact, a soft-law approach has been executed, requiring all employers/establishments to stay away from introducing wage cuts and job cuts for contract or temporary workers.

This advisory may provide partial relief for workers in the organised sector, but not for workers in the informal sector, who are forced into economic and social deprivation. The legal basis of this circular is contested as it externalises the cost of wages/salaries on the employers. Fixing accountability on employers for wages and jobs might provide interim relief, but some crucial concerns arise here in terms of the legality of the advisory.

Section 2(s) of the Industrial Disputes Act (the ID Act) has a restrictive definition of a worker: any person employed in any industry to do any manual, unskilled, skilled, technical, operational, clerical or supervisory work, for hire or reward. This definition does not recognise every person in a relationship of employment due to terms such as 'manual', 'unskilled', 'skilled', 'technical', 'operational' or 'clerical' which are vague and subject to multiple interpretations by the judiciary. Hence, while interpreting the term "workman", various judgments excluded numerous categories of workers.

This has resulted in the emergence of the non-worker category of employment — informal workers such as teachers, artists, medical representatives, trainees, professionals, own-account workers, platform workers, and so on.

According to the Periodic Labour Force Surveys (PLFS, 2017-18), 238 million people work as self-employed and around 112 million are employed in the casual labour segment. Only 19 million regular wage workers with a contract tenure of more than three years are defined as workers in the formal sector.

It further excludes 49 million of the 92 million formal sector workers who work in the informal segment of the formal sector. This segment of non-worker, close to 161 million, as construed in various judicial pronouncements are ineligible under the definitional criteria of the ID Act. The lack of consistency and consequent confusion has turned out to be the Achilles' heel for the circular. So, there is a need to recognise non-workers to make sure they have access to legal wage entitlements after the lockdown.

Missing employers, industrial units

Like non-workers, millions of units are also excluded from the purview of the ID Act. According to the Sixth Economic Census 2015-16, 24.63 million establishments employ 216 million workers. Of that, 97.39 million (45 per cent) work without hired workers (own establishment); 118 million (55 per cent) work in establishments with at least one hired worker. Broadly, the former category falls under the Shops and Establishment Act and, latter, the Factories Act.

More than 200 million (93 per cent) people work in establishments that are perennial, while the remaining 15.6 million (7 per cent) are employed in establishments with non-perennial (seasonal and casual) operations. Across the employment threshold size, 172 million of workers (79.85 per cent) are with establishments that have less than nine workers, and 20.1 million are employed at establishments with more than 10 and less than 49 workers. Only 17.60 million (8 per cent) work in establishments with more than 100 workers.

These figures attest to the fact that the exclusion of the establishments of own-account workers from the Shops and Establishment Act and restraining factory operations under the employment threshold of 10-20 workers (64 per cent of total establishments with hired workers) leave out the epochal opportunity to assign the obligations on employers who are invisible in de jure labour laws.

Since the existing ID Act under Chapter VB excludes perennial establishment with less than 100 workers — u/s 25 (O) and 25 (F) — who shall be held responsible for paying wages and preventing lay-offs to 192.1 million (88 per cent) of workers that stay below the prescribed thresholds of industrial legislations? So, in these difficult times, collectivisation of workers is essential for restoring stability and solidarity; only that would mitigate their economic hardships in the post-lockdown period.

Source: thehindubusinessline.com- May 07, 2020

HOME

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India's economy needs the retail sector to grow

One unfortunate consequence of the countrywide lockdown over the last six weeks has been the complete paralysis of retail supply chains. The confusion stemming from differing state-level interpretations of rules regarding transportation coupled with the baffling distinction created between essential and nonessential goods by the central government has resulted in a complete breakdown of deliveries. The result has been massive losses for the sector and crippling shortages for consumers.

In retrospect, it should have been evident to planners that retail, as the nerve centre of an economy in distress, needed to be treated with care.

Till the pandemic struck, the $790-billion Indian retail sector was slated to double in size over the next five years on the back of rising consumption and increasing formalization. Instead, it finds itself hamstrung even as people now need supplies most urgently. Even e-commerce, which could have taken some of the load off physical retail, has collapsed in the face of logistical hurdles. While it has a mere 3% share of the total market, its scorching growth rate at 30% did suggest that in a crisis, it had the tools to supplement offline trade.

The problem with retail in India is its association with the enormous riches of a handful of new billionaires. When we think of retail, we think of Jeff Bezos and his $138 billion fortune and the likes.

In reality, it is far more mundane. Retail in India is still that neighbourhood shop operating out of a modest home in a middle-class locality. Retail in India is also like that young boy who's out delivering, come sun or rain, virus or violence. Not because he is foolhardy or even particularly brave, but because it is his only source of livelihood.

At a time when jobs have disappeared across sectors, organized retail presents one of the few opportunities for young men and women to make a living. While contributing 10% of India's gross domestic product (GDP), the sector employs nearly 8% of its workforce. This has the potential to rise to 20% over time.

Its importance, though, stretches even further. Indeed, retail is an agglomeration of many industries like entertainment, food, textiles and consumer electronics. Hence, if a garment store shuts, its ripple effects would be felt by every company in the textile business.

Mitigating the woes of the sector isn't easy because retail in India is highly fragmented. There are the thousands of small kirana shops dotting the country's villages, towns and cities. Mostly family-run, they face problems typical for a small entrepreneur—access to working capital, no insurance against losses and stringent credit term from large suppliers.

That's where they need linkages with a DMart or a Big Bazar or Amazon or Flipkart. These large players are the vehicles which will allow India's mom-and-pop stores to scale up and extend their reach. These big, well-funded, technologically savvy and dispersed firms help to bring costs down all along the supply chain, eventually lowering the prices for consumers.

Large offline retail, meanwhile, has its own worries including painful shutdowns. Given the weeks of lost business, that possibility looms large for thousands of businesses who need to keep paying their lease rentals as well as salaries of employees. Even when the lockdown is lifted, it could take months for footfalls to hit normal levels.

The retailers who run these businesses are also some of India's finest entrepreneurs. Rarely on the radars of venture capital or private equity players, they have battled on without much institutional backing. Now, however, they need support through restructuring of their leases along with schemes to share the salary burden with the state.

The online channels, though a small part of the mix, are the way forward. In categories where they have achieved momentum, they will soon be on par with offline business. As a BCG report quoted in Mint (shorturl.at/cpyB6) pointed out, the share of all electronics sold online grew from 1.4% in 2008 to 15.3% in 2018. What they need is a clear set of rules and assurance of smooth logistics.

The multiplier effect of retail through direct, indirect and induced effects is enormous. While figures are difficult to compute given the multiplicity of variables involved, experts say that for every rupee of retail sales, there is another 50 paise to ₹1 worth of sales in the broader economy.

This is not to say that manufacturing doesn't have a similar multiplier effect. In fact, a University of Maryland study estimated the manufacturing multiplier at a much higher 1.92.

The problem for India is that manufacturing is capital intensive, has long gestation periods and is highly susceptible to global forces. With China desperately looking to claw back its lost GDP growth, it will produce even more cost-competitive products and flood the global markets with them. We have already seen how that plays out. In the past, Indian smartphone companies that tried to compete with Chinese makers in the category came a cropper while those that played in the protected retail space for the same product have flourished.

Boosting retail will allow India to leverage its large domestic market. It is also an area in which we have traditional skills. This is the time to harness them.

Source: livemint.com- May 06, 2020

HOME

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India Inc has a whiff of the licence Raj

These are especially grim days for small and medium-sized enterprises across India. Exporters are facing orders being cancelled or being diverted to Vietnam and China because of India's lockdown, even as they seek clarity to restart business operations in the wake of local and state governments' bewildering array of ever-changing rules and restrictions.

Against this backdrop, on 4 May, Christine Rai, chairperson of the Indian Buying Agents Association (BAA), received good news. After two months of petitioning India's Directorate General of Foreign Trade to allow the export of sleep masks—airline-styled eye patches—the government clarified this week that the items should not be subject to the export ban meant for medical masks.

But Rai sounds disillusioned by the experience. The battle will be fought all over again over exports of face masks, a new market in which India is well-positioned to be a big global supplier. "The whole world is going to be wearing masks. People want stylish, funky masks. All of Jaipur and Tiruppur is sitting on an excess of fabric," says Rai.

In Tamil Nadu, V. Elangovan, who heads a regional buying agents group in Tiruppur, sounded similarly despondent after a meeting in the district collector's office. The district collector ruled that factories could reopen on 6 May but only if they operated with local labour. Even inter-district movement of labour is not being allowed as covid-19 cases in Tamil Nadu continue to rise. While adhering to such regulations, ensuring that factories reach a staff strength of even 30% would "be a great achievement," Elangovan said.

From New Delhi to Tiruppur, one of the principal side-effects of the pandemic is that the licence raj of the 1970s is back with a vengeance. The partial relaxation of rules this week and the division of the country into red, orange and green zones—depending on the levels of infections in different areas—will ease business conditions somewhat. But if the experience of companies in essential services, such as those producing food or herbicides, over the past few weeks is any indication, fighting the bureaucracy promises to be as much of a challenge as coping with the slump in demand and the shortage of labour.

What's more, the creeping socialist statism of the Modi government that has grown by leaps and bounds in recent weeks may be here to stay. This week, Union minister Nitin Gadkari said that the government was mulling a ratcheting up of import substitution—after four budgets that have raised duties.

Covid-19 is providing cover for more—likely permanent—encroachments into the way businesses are managed, often at such speed that the communication channels from the government cannot keep up.

This week, the Apparel Export Promotion Council pointed out that the central labour department had communicated neither its position on variable dearness allowances during the lockdown period nor whether the government's direction to companies not to cut staff or wages was an "advisory or an order".

The confusion

Calibrating exits from a lockdown is complicated anywhere in the world, but interpreting often poorly-worded central and state government directives on everyday aspects of business and physical distancing appears to have already unnerved India's district magistrates and collectors.

Uday Anand, director of the domestic business of insecticide and herbicide producer Parijat Industries, recounts that even though his company's Ambala plant was allowed to continue business as an essential service in the weeks after the lockdown was announced on 24 March, the company was told by the local collector: "Paste the notification outside your factory, but I can't guarantee you are allowed".

He empathises with the predicament local administration often finds itself in: "Notifications are contradictory. When these overnight firmans come, you wonder whether they attempted to think about the consequences. At the end of the day, the local administration does what it sees fit."

Across India, the past few weeks have been the trailer of a horror film that doubles as a case study on how to throttle business in the midst of a once-in-a-century depression.

Sajjid Chinoy, economist for JP Morgan, observes that of the 730 districts in India, 130 have been labelled red districts or hotspots with high numbers of infections. This sounds like a small swathe of the country where business is still severely restricted, but these are typically urban areas with a disproportionately high share of India's gross domestic product (GDP). Accounting for these areas being under continued lockdown restrictions, Chinoy estimates that only about 55%-65% of India's economy will be back in action in the next fortnight and cautions that even that might be an overestimate.

April's Purchasing Managers' Index numbers released this week, a timely manufacturing sector pulse check, showed an economy on life support. An Oxford University study confirms that India has the strictest government lockdown in the world coupled with the stingiest relief package as a percent of GDP. Manufacturing PMI has dropped to a historic low of 27.4 (out of 100). By contrast, during the financial crisis of 2008, its worst reading was in the mid-40s.

The grey zones

The problems of managing business operations, navigating supply chains and obtaining permissions that cross state borders—not to mention red and orange zones—will lead to multiple "grey zones," says Rahul Khanna, co-founder of Azure Hospitality, which owns restaurants such as Mamagoto and Dhaba.

Some of his housekeeping staff, who were helping out when the restaurant chain joined hands with the National Restaurant Association of India's effort to deliver 500,000 meals to migrant workers in Delhi, Mumbai and other cities, are traumatised after being beaten up by the police despite having passes.

BAA's Rai, meanwhile, is waiting for a local administration's verdict this week on what factories can reopen in outer Moradabad as she races to meet deadlines for serving platters and decorative lighting for Christmas that must be shipped by June. Buying agents typically work with artisans based in inner Moradabad, which is expected to remain under strict lockdown. Rai worries that the Christmas export orders that her firm has received, valued at about $13 million, hang precariously in the balance.

In an inversion of the much-quoted title of VS Naipaul's India: A Million Mutinies Now, companies across the country find themselves petitioning 1000 de facto fiefdoms run by district collectors. Yamini Aiyar, who heads the Centre for Policy Research (CPR), observes that these administrative problems have been made much worse because they are occurring along a principal "faultline" of the reforms of 1991: the lack of civil service and administrative reform. "The tonality is always about penalties. It always uses sticks, not carrots," says Aiyar.

A tragicomic example of this came late last month with a notification that employers would be held liable if, through their "cognisance" or "negligence", an employee was found to have contracted Sars-CoV-2. It is hard to understand how negligence could be established in a court of law and, equally illogically, why it should not also apply to the government of India and state governments.

Despite the ministry of home affairs subsequently tweeting that it had been "misinterpreted", a flurry of hard-to-interpret covid-19 notifications have rained down like an unseasonal monsoon downpour. According to PRS Legislative Research, a think-tank, the central government has issued almost 600 notifications and state governments a further 3500.

On Sunday, for instance, the home ministry issued a clarification intended perhaps to limit the numbers of those who would be allowed to travel to their villages to a category called 'genuine' stranded migrants. The letter from the Centre to chief secretaries in the state administrations reads: "The facilitation envisaged in the aforesaid orders is meant for such distressed persons, but does not extend to those categories of persons, who are otherwise residing normally at places, other than the native places for purposes of work, etc. and who wish to visit their native places in normal course."

The clarification is akin to a Rubik's Cube in words. “This is a legalistic bureaucracy…the culture is to write to obfuscate," says CPR's Aiyar.

At this moment of crisis, sloppy communication from the bureaucracy ought to be a punishable offence because it is handcuffing business and markets in a manner not seen for several decades. Not enough has changed since the 1970s, let alone the 1990s. Writing about New Delhi in 1975, the writer Jan Morris encountered this bureaucratese on a tourist handout. “This map is published for tourists as a master guide and not as legal tender," Morris recounted observing that, “there, in its mixture of the interfering, the pedantic, the unnecessary and the absurd, speaks the true voice of Indian officialdom."

The competition

Sanjay Jain, who heads TT Ltd, which makes vests and other innerwear, says that although stand-alone shops have in theory been allowed to do business for several days now, the shops that sell his company's innerwear across the country have not reopened.

He blames “miscommunication" and “everyone wanting to be on the cautious side." Ordinarily, the summer months would see a spike in demand for innerwear and clothing as men buy vests and the Muslim community buy new clothes ahead of Eid. This year, domestic sales have collapsed forcing TT Ltd to sell innerwear at “atrocious prices" to export the product.

Jain blames the government for mishandling the migrant situation and contributing to an exodus 40 days after the lockdown began by arranging trains and buses just as factories are negotiating permissions to reopen. “How are we going to revive production without workers," he asks.

Jain and others are also impatiently awaiting the government's long-promised financial relief package for small-and-medium-sized enterprises. He points to the Bangladesh government's recent decision to offer loans at 2% interest rates to apparel firms for two years. By contrast, his firm borrows money at 10-14%. Banks remain unwilling to extend credit. Data from the Reserve Bank of India (RBI) on Tuesday showed that banks have parked surplus funds of ₹ ₹8.42 trillion with the RBI, a record.

Jain suggests that businesses must have the right to appeal decisions made at the local level and offer anonymous feedback about district magistrates: “You need a third umpire."

In Bengaluru, Nagaraju Siddappa, one of the directors of Precision Sheet Metal Works, complains that officials in Tumakuru in the past few weeks made it impossible for a downstream supplier to his firm to open up. This affected his company’s ability to meet orders from GE Healthcare for parts that would be variously used in incubators and even in ventilators needed for serious covid-19 cases, the very definition of an essential product. Instead of relief from the government, Nagaraju says he has received threats of legal action from the state’s electricity company.

Exporters are especially vulnerable as this depressing saga of threats to businesses and misconstrued messaging within the government apparatus plays out. Many exporters were already weakened by the complications of the goods and services tax regime. Now, with China, Vietnam and Bangladesh running factories at close to normal levels, the risk of losing business permanently looms large.

Oblivious to this challenge, the Modi government has instead been arguing that the covid-19 crisis will allow India to position itself as a manufacturing alternative to China. Tiruppur-based Elangovan has heard such predictions before. For the past couple of decades, companies in the West have been looking to diversify their outsourcing requirements and pursuing a China+1 strategy.

“India has never been a candidate; the ecosystem is not there. We cannot replace China for 50 years to come," he told a roundtable organized by Apparel Resources, an online trade publication. Impressed by how well the finance ministry in Dhaka works with garment manufacturers and exporters in Bangladesh, Elangovan had a more realistic goal for India: “Let’s compete with Bangladesh."

Source: livemint.com- May 07, 2020

HOME

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Govt gives relaxations to taxpayers for GST compliance for filing annual returns and audits

Date of filing GSTR 3B has been extended from November 2019 to March 2020, for the state of Jammu & Kashmir.

The government gave further relaxations to taxpayers for goods and services tax (GST) compliance for filing annual returns and audits, increasing the time duration for some, meanwhile extending the validity of e-way bills till the month end.

In a notification dated May 5, the Central Board of Indirect Taxes and Customs (CBIC) has allowed registered persons to furnish GSTR-3B verified through electronic verification code between April 21 and June 30.

This was not permitted earlier.

Further, a registered person can furnish a nil GSTR-3B through text messages, using their registered mobile number, which will be verified through a one-time password facility.

The Board has also extended by a quarter the time limited for furnishing of the annual return and GST audit for the financial year 2018-2019, till 30 September, 2020.

Date of filing GSTR 3B has been extended from November 2019 to March 2020, for the state of Jammu & Kashmir.

The Board also made changes to the Insolvency and Bankruptcy Code (IBC), clarifying that the resolution professional shall be liable to take a new registration in each of the states or Union territories where the corporate debtor was registered earlier, within thirty days of its appointment or by June 30, 2020, whichever is later.

Extension of the lockdown till May 17, has pushed the government to give a second extension - till May 31 - for all the e-way bills generated on or before the March 24, where the period of validity expires between March 20 and April 15. The earlier deadline of April 30 had resulted in non-movement of goods when the lockdown rules eased from May 4, ET had reported on Tuesday.

Source: economictimes.com- May 06, 2020

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Reclaiming lost glory: Systemic solutions are the need of the hour for modern Indian textile industry

With factories shut, shipments stranded and payments delayed, due to Covid–19, the textile and clothing sector is going through dark times indeed. Is there a way out?

According to estimates by Clothing and Manufacturers Association of India (CMAI), the textile sector is looking at a potential job loss of one crore.

However, this is not the first time that this sector has been going through rough patches. In August 2019, the North India Textiles Mills Association issued an advertisement, highlighting that the textile spinning industry is going through the worst financial phases of the decade, with exports of cotton yarn plummeting to 50% in the month of April 2019 as compared to the last year. Prior to this the sector was reeling under the blows of demonetisation, haphazard introduction of GST regime and the 2008 financial crises.

What are the other reasons for the challenges to the sector? First and foremost, the advent of technology has rendered artisans and their skills outdated. Once famed across the globe as 'artisans' who were weaving delicate and dexterous yarn, 'workers' have now become one of the biggest concerns of Indian textile manufacturing enterprises.

Secondly, the globalised world has necessitated cost-competitiveness in the textile and clothing manufacturing processes. 'Economies of scale' has become the magic formula for nations like China, Bangladesh and Vietnam. According to Indian Ministry of Textiles' Annual Report of 2018-19 this has resulted in a setback for the largely fragmented textile and clothing value chain in India which produces 70% of its output from small and medium scale industries.

Lastly, handloom and handicraft artisans are facing a perpetual lack of market linkage and branding. In such a situation, the artisans are not getting reasonable returns on their efforts.

Before suggesting some of the solutions, it is crucial to assess the current policy discourse adopted by the Government of India to facilitate the sector. The Ministry of Textiles enlists a plethora of schemes in place for different segments of the textile sector.

Be it the Technology Upgradation Fund Scheme (TUFS) or the Powertex scheme for powerlooms or the Scheme for Integrated Textile Park (SITP), the government's efforts are inclined towards using finance to generate attributes of productivity, efficiency, exportability, scalability and marketability of the textile products in India.

However, what seems to be missing is an outward looking approach to address the external factors affecting the sector.

The first factor is the raw material for textile manufacturing processes. While the global demand of clothing is inclined towards man-made fibre over cotton, India's production still remains cotton-dominated. In man-made fibre segment, particularly polyester related raw materials, including PTA and PSF, the initial production costs of these materials are significantly higher as compared to other countries like China.

Until recently, India used antidumping duty to protect the very few such domestic manufacturing oligopolies. This has fortunately been stopped. In any case, there is an urgent need to infuse efficiency into the domestic manufacturing of all raw materials, whether synthetic or cotton.

The second factor is of financial costs, which have a direct impact on the viability of the textile enterprises. For both handlooms and powerlooms, credit support to start business and working capital support to run their businesses is extremely critical. Also, the MSME clusters as an entity needs banking assistance to leverage their manpower skills and compete with the large corporates operating at economies of scale.

The third factor is infrastructure, in particular power and logistics. Being a power intensive industry, textile mills incur a significant proportion of their costs as electricity bills. A sustainable solution in this regards is to structurally reform the power sector, reducing losses, rationalising tariffs and passing on the efficiency gains to end-consumers. In case of logistics, regulatory and infrastructural bottlenecks in the freight transportation sector remains an issue affecting all manufacturing sectors including textile and clothing.

The fourth factor is market linkage. For handlooms and handicrafts, there is a tremendous scope for using e-commerce and fintech solutions to solve the problem of lack of market. This has to go hand to hand with effective advertising and branding support from the government and other agencies including National Institute of Fashion Technology and various textile promotion councils.

Lastly, there is a need to bring back the value for the worker in the modern textile industry as it was in the traditional era. Effective skill development and capacity building is indispensible for achieving this. Revamping the existing research-cum-training agencies to develop specialised state capacity for skill training is the first step in this regard.

In addition to it, on the job skill training is vital to adapt to the changing nature of work on the factory floor. With automation now creeping in processes like zari and embroidery as well, there is a need to calibrate the skill requirements in alignment with such developments. This value creation for workers can potentially catalyse the ongoing efforts to provide a universal social safety net, safe working environment and decent income levels.

Source: economictimes.com- May 06, 2020

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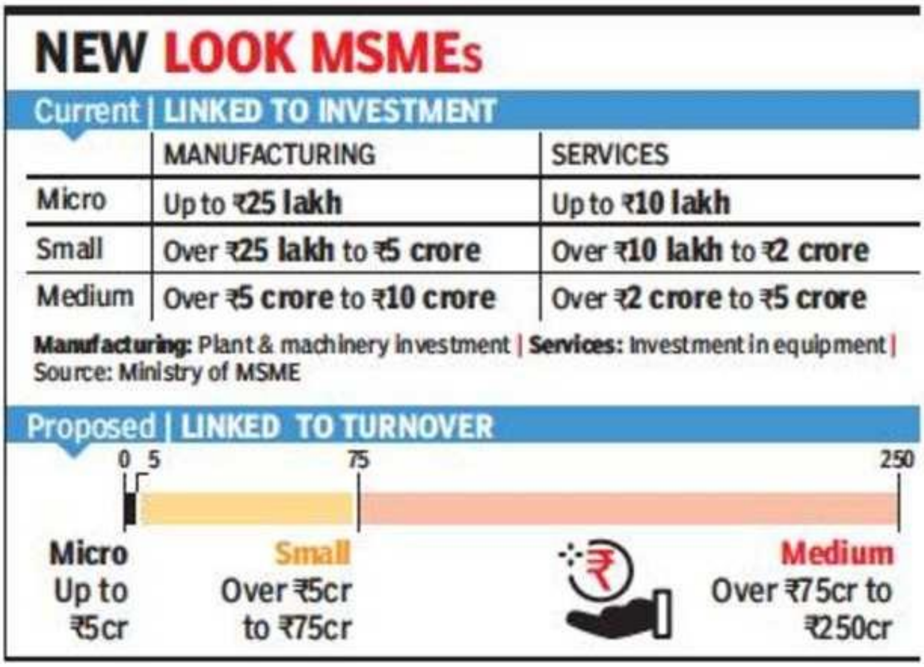
Government fast-tracks new definition of MSMEs

The government is fast-tracking the move to amend the definition of micro, small and medium enterprises (MSMEs) to allow these entities to grow in size. The plan, which has been in the works for months, is likely to be part of the stimulus package, that is expected to be announced shortly.

There have been detailed discussions on the issue with the law ministry, which is open to allowing the definition change, sources told TOI. There are around 6.3 crore MSME units in the country, with over 99% categorised as small units.

Unlike the current definition, which is linked to investment in plant and machinery, the government has been pushing for turnover-based classification, something that has been opposed by powerful lobby groups such as Swadeshi Jagran Manch and Laghu Udyog Bharti, arguing that it will not be in the interest of manufacturers but will benefit assemblers.



NEW LOOK MSMEs

Current | LINKED TO INVESTMENT

	MANUFACTURING	SERVICES
Micro	Up to ₹25 lakh	Up to ₹10 lakh
Small	Over ₹25 lakh to ₹5 crore	Over ₹10 lakh to ₹2 crore
Medium	Over ₹5 crore to ₹10 crore	Over ₹2 crore to ₹5 crore

Manufacturing: Plant & machinery investment | **Services:** Investment in equipment | Source: Ministry of MSME

Although the Centre had intended to amend the Micro, Small & Medium Enterprises Development Act, the existing law may give the government some leeway in adding an additional condition.

The Narendra Modi government had proposed to amend the definition during its first term itself but failed to push though the legislative change due to opposition from the RSS affiliates. Last August, finance minister Nirmala Sitharaman had announced the move as part of a series of stimulus packages announced by her in the wake of slowdown.

So far, the government has once again been unable to move the Bill but is now keen to ensure that MSMEs, which want to scale up to take on competition from larger and foreign players, are not hobbled by the definition that was put in place in 2006.

According to the earlier proposal, any unit with a turnover of up to Rs 5 crore was to be classified as a micro enterprise, while those with up to Rs 75 crore annual revenue will be in the small unit category.

Similarly, entities with turnover of up to Rs 250 crore will be classified as medium-sized enterprises. Until the 2006 law was enacted, there was only one category of manufacturing that was classified as small scale enterprise, eligible for several benefits, including on payment of excise.

Source: timesofindia.com- May 07, 2020

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Refunds for garments exporters: Govt clears Rs 3,000-crore pending claims, more to follow

To ease liquidity for garment and made-up exporters, the government has cleared long-pending claims worth roughly Rs 3,000 crore since January under a so-called Rebate of State and Central Taxes & Levies (RoSCTL) scheme, trade sources told FE.

The revenue department has also asked the directorate general of foreign trade (DGFT) to release Rs 464 crore against pending claims under another scheme, Remission of State Levies, which was replaced with the RoSCTL programme — meant for compensating them for various state as well as central government impost — on March 7, 2019. Benefits under the RoSL were stuck for more than a year, triggering protests from the cash-strapped exporters.

In an office memorandum dated April 30, reviewed by FE, the revenue department has said it has approved the release of the RoSL benefits, which will, however, be in the form of scrips, instead of cash. Exporters will also be allowed to use the scrip for the payment of customs and central excise duties.

Apparel Export Promotion Council chairman A Sakthivel welcomed the government's move and expected that the benefit comes at a time when the industry is going through a rough patch due to the Covid-19 outbreak.

The move comes at a time when the Covid-19 outbreak has already accentuated a slowdown in merchandise exports. Outbound shipments of garments shrank 4% year-on-year in FY20 to $15.5 billion (even on a favourable base), aiding a decline in overall exports that contracted by close to 5% in FY20.

But the government has already scrapped benefits under the Merchandise Exports from India Scheme (MEIS) for garments and made-up exporters retrospectively from March 7, 2019.

However, to offer some relief to the exporters from the retrospective move, an earlier government order had said if the RoSCTL benefit between March 7 and December 31, 2019, was lower than the combined incentives under the MEIS and RoSL (which they were enjoying until the RoSCTL roll-out), the government would provide an "additional ad-hoc incentive" of up to 1%

of FoB value of exported products, with a cap of Rs 600 crore, for this period.

But, compounding exporters' woes, it had asked those who had availed of the MEIS benefits between March 7 and July 31, 2019 (after which MEIS benefits were blocked to them), to return the incentives, or the amount could be suitably adjusted against their future benefits. Exporters had said even with the extra incentive, the total benefit was lower by as much as two percentage points than what they used to get in March 2019.

A senior government official had earlier told FE that the resource-strapped revenue department felt that since garment/made-up exporters were to get the RoSCTL benefits (which are not extended to other exporters), they shouldn't be simultaneously granted the MEIS benefits, which, in any case, had come under the WTO scrutiny.

However, the textile ministry was learnt to have been backing the garment exporters' claims and wanted both the MEIS and RoSCTL to co-exist.

Source: financialexpress.com- May 08, 2020

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GB Nagar ready-made garment export units get nod to operate

After several rounds of discussions, the micro, small and medium enterprises (MSME) and export promotion department of the Uttar Pradesh government, Thursday has asked the Gautam Budh Nagar district administration to allow over 600 ready-made garment exporting units to operate, provided they ensure that all the norms of Covid-19 are followed in these units.

Secretary, MSME and export promotion, Navneet Sehgal, through a letter has sent a list of 611 ready-made garment exporting companies to the GB Nagar district administration Thursday, to allow them to operate in accordance with guidelines issued by the ministry of home affairs (MHA) and the state government.

"Due to outbreak of the Covid-19, most of the export orders of these units have either been cancelled or put on hold. Besides, their consignments already shipped out are also stuck. Even the ready-made garments manufactured against orders are lying factories because of a ban on the movement/transport of goods. If they will not be allowed to restart their units, it will certainly have the worst impact on our economy," the letter said.

GB Nagar district deputy commissioner (industries), Anil Kumar, said these 611 ready-made garment exporting units have been granted conditional permission. "It is mandatory for these units to strictly follow the social distancing norms. The unit owners will have to ensure that any person or item going in or out of their respective premises has been sanitised. These units will be operated with the minimum workforce needed," he said.

Kumar further said before starting the operation, it is mandatory for these units to conduct a random RT-PCR sampling of their employees, to ascertain that none of them is Covid-19 positive. "Any worker coming from containment zone will not be allowed into these units," he said.

Lalit Thukral, president of Noida Apparel Exports Cluster (NAEC), said with this order, the apparel and textile industry in the district will get a new lease of life.

"The goods and payments amounting to around ₹7,000 crore of exporters would have tanked if activities had not been allowed to resume. We are hopeful to ship garments worth around ₹1,500 crore this month, which will bring some relief to entrepreneurs," he said.

He further said it will also enhance the productivity of exporters as buyers can now place new orders. "Since our industry is labour-centric, their return will also improve the overall socio-economic scenario. Even the financial burden on exporters will be eased as banks often increase our credit limits once we have new orders," he said.

The apparel sector in the district employs about 10 lakh people and the sector has exports to the tune of over ₹18,000 crore annually.

Meanwhile, mobile phone manufacturing company OPPO will also resume production with a 30% workforce at its Greater Noida unit from Friday.

As per the press release issued, the company will operate t 30% of its capacity, which is in accordance with the directive issued by the authorities. "It would be operating with around 3,000 employees working in shifts of its total 10,000 workforce," the statement said.

Source: hindustantimes.com- May 07, 2020

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Rs 5,500-cr unsold crop, lockdown, rain push Vidarbha cotton farmers towards distress sale

Nearly one-fourth of Maharashtra's cotton produce worth Rs 5,500 crore is still unsold as the nationwide lockdown and unseasonal rains have hit the procurement season which typically ends by April.

Several farmers in the Vidarbha region of Maharashtra, the main cultivation zone for the crop in the state, told ThePrint that they are struggling to sell their produce after the lockdown was imposed on 25 March to contain the spread of Covid-19.

Some are even selling at much lower prices than the minimum support price (MSP).

"Even though most of the harvest was completed by January, the procurement of cotton began only after 25 April in my village. Still, there are 80 quintals of cotton kappa (raw cotton) lying in my farmland," said Mahadev Khamkar, a farmer with 10 acres of land in Amanatpur village of Akola district.

"With unseasonal rains and upcoming monsoon, farmers are panicking after being unable to sell their crop," added Khamkar.

Anantrao Deshmukh, a member of Maharashtra State Cotton Growers' Marketing Federation (MSCGMF) said around 25 per cent of cotton in Maharashtra is waiting to be sold due to the lockdown.

"The expected production of cotton in Maharashtra was supposed to be 400-500 lakh quintals this year (2019-20), but around 100 lakh quintals are yet to be sold. As per the average of 50 quintal per farmer, and with around 2 lakh farmers in Vidarbha region, there is a stock worth Rs 5,500 crore yet to be procured as the cotton MSP is Rs 5,500," said Deshmukh.

MSCGMF is a cooperative body involved in the procurement of cotton in Maharashtra along with Cotton Corporation of India (CCI), the central government's nodal agency for procurement and export of cotton.

Distress sale due to unseasonal rains

Several farmers in the state are resorting to distress sale, selling for as low as Rs 3,100 per quintal, as unseasonal rains are affecting the quality of produce, making it difficult to sell to CCI. Further, as the kharif season approaches with the monsoon, farmers need to get the crop off their hands quickly.

"We have to sell our cotton produce at any price now because the cropping season begins mid-June and we need money to buy seeds, fertilisers and pesticides. The land also needs to be tilled before sowing without which the entire upcoming season will go waste," said Vasant Naik, a Parbhani-based cotton farmer.

Cotton is a labour-intensive cash crop with a cultivation cost of Rs 25,000 per acre, which makes farmers more vulnerable in case of delay in procurement. Usually, the procurement process concludes by the end of April. However, in the last couple of years, farmers hoarded until the last moment to cash in on the price rise due to international fluctuations.

But with the crisis developing this year, they are trying to sell as quickly as possible.

CCI procures cotton kappas only if the moisture content is between 8 per cent and 12 per cent. The MSP of Rs 5,550/quintal is reserved for the first category. It keeps falling with increasing moisture content until Rs 5,328/quintal for 12 per cent.

The farmers of Vidarbha fear their produce could end up with a moisture content of over 12 per cent.

"If cotton kappas get drenched in rain due to lack of storage option with small farmers, the whole produce will turn useless as nobody will purchase and the farmer will not get money for a year of hard work," said Naik.

He added that most of the farmers are now selling produce to local trade and private ginneries due to sluggish procurement by CCI.

"The cotton is being sold at only Rs 3,100 per quintal, even when the MSP stands at Rs 5,500 with losses of lakhs for farmer due to slow procurement and monsoon fear," added Vasant Naik.

'Garment makers absent'

A CCI official said procurement is slow as garment makers, struck by an acute demand issue, have stopped buying.

"Most of the garment makers who make a heavy sale in summer have stopped procuring cotton from CCI due to no trade amid lockdown. Apart from this, migrant labourers of ginning and pressing factories have left for their home states which makes procurement of cotton slow by both the private and government sector," said the official who didn't wish to be named.

However, the official assured that with the easing of lockdown and subsequent opening of trade, the leftover cotton will also be procured before monsoon despite the huge quantity.

The official said only 16 procurement centres had been opened up initially, out of total 83. But all of them have now started operations.

"Also, more procurement centres are being set up at various APMCs (Agricultural Produce Market Committees) in Maharashtra and the state government has been asked to issue passes to facilitate farmers to bring kappas even from red zones," said the official.

According to an Agricultural & Processed Food Products Export Development Authority report, India produced a record cotton crop for 2019-20 at 30.5 million bales, 15 per cent above 2018-19.

Source: theprint.in- May 07, 2020

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Tirupur garment cluster adopts steady approach, sees no labour shortage

The Tirupur readymade garments/knitwear cluster has begun operations in a slow and steady manner. Being in the Red Zone category, the export units as many as 1,100 are happy to have resumed their operations with local workforce. The units have been getting increased enquiries from buyers from the US, European Union, among other countries, for samples and accordingly the units begun sending samplings.

“We have enough workforce available locally within our corporation limits and we are happy to have begun our work with them. The units situated within the corporate limits have been allowed to have 25-30% workforce capacity initially and the units situated outside the corporation will have 50% workforce capacity as per both central and state governments’ guidelines. Hence, we don’t see any labour problem at this point of time,” said Raja M Shanmugham, president, Tirupur Exporters’ Association (TEA).

Replying to a query, Shanmugham said: “Being in Red Zone, one cannot afford to have heavy workforce to resume operations. Moreover, the export orders need to be firmed up post our samplings. Once we start getting export orders, the units will ramp up workforce as per SOP laid down by the local authorities.”

“One (exporters) cannot expect that everything will happen upfront. The resumption will be gradual till such time when not only restrictions go but also exports fall in our line. Though we have made a request with the local Collectorate to allow us to move people within the state, it is unfair to demand things should happen immediately,” he said.

He said the collector is responsible to the government and follows what he has been asked to do. “Even we (the units) are afraid of coronavirus spread. Since majority of the districts in Tamil Nadu come under Red Zone category, it is difficult and not permissible to bring workers from other districts within the state. Moreover, public transport has not started in the state. We have to understand the ground reality hence slow and steady approach. We strongly believe that exports will gather momentum soon and accordingly relaxations will also be eased by the Collectorate.”

Since the cluster has already lost its business in the 40-day lockout, so the units need to be cautious in not inviting trouble through Covid further. The slow and steady approach is need of the hour at this point and accordingly everyone follows it, he pointed out.

According to him, though migrants from different states want to go back to their respective states, a host of them have decided to stay back as the units outside the Tirupur city corporation have also begun their operations. These units have been allowed to resume operations with 50% workforce. Since most of the migrants stay outside the city limits, all these workers have been deployed accordingly, Shanmugham said.

Source: financialexpress.com- May 08, 2020

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