IBTEX No. 53 of 2020 March 12, 2020

US 74.16| EUR 83.76 | GBP 95.04| JPY 0.71

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INTERNATIONAL NEWS

USA: Global Jeans Sourcing Showed Signs of Major Disruptions in January

It's only one month and historically not one of the biggest for shipping, but clear new patterns of jeans sourcing began to set in during January.

There were many anomalies in play–like companies getting goods early ahead of threatened tariffs hikes on Chinese imports, plus the outbreak of coronavirus in China and elsewhere, and the Lunar New Year factory shutdowns in China that impacted supply chains throughout Asia.

With that said, the first month of the year saw a decline in overall denim apparel imports, 97 percent of which are jeans, that indicate the sector could be in for a difficult cycle. As Tricia Carey, director of global business development for denim at Lenzing, said, "There is a general market slowdown."A clear example of that is Wrangler and Lee parent company Kontoor Bands, which saw U.S. revenue in the fourth quarter fall 8 percent to $517 million, a decline it blamed partially on softness in broader retailer traffic during the holiday period partially offset by growth in digital, up 52 percent.

Jeans imports from the world to the U.S. fell 13.29 percent in value to $265.99 million in January compared to $306.78 million in the same month in 2019, according to the Commerce Department's Office of Textiles & Apparel (OTEXA). For the 12 months through January, denim apparel imports were down 4.43 percent to $3.69 billion, backing up the down cycle conclusion, as there is little jeans manufacturing in the U.S. to feed domestic consumption.

There were major shifts among the Top 10 suppliers, patterns for which began to emerge last year and seem to have been magnified under the January microscope. This was particularly true in the four most prolific jeans-making countries.

U.S. jeans imports from No.1 supplier Mexico dropped 32.28 percent in January to $41.47 million in value, according to OTEXA data, which could be indicative of the slowdown in demand.

At the same time, China's shipments plummeted 60.17 percent to $33.94 million, clearly brought on by a combination of factors–the overall flight from China as a result of the U.S.-China trade war, the month's holiday factory closings and the COVID-19 crisis. For the year through January, imports from Mexico decreased 5 percent to $782.78 million, while China's shipments declined 31.05 percent to $644.66 million.

The expertise and relative stability of the next two top supplies–Bangladesh and Vietnam–led to major gains, at least for the one month. Imports from third-place Bangladesh jumped 45.18 percent to $51.87 million in January. For the 12-month period, imports from Bangladesh increased 6.96 percent to $601.86 million and shipments from Vietnam rose 27.61 percent to $384.51 million, according to OTEXA.

"We're seeing the surges from the production that moved from China to a number of different places," Julia Hughes, president of the U.S. Fashion Industry Association, said.

Other major gainers in January among the top suppliers were Egypt, up 25.33 percent to $15.16 million; Cambodia, jumping 91.37 percent to $16.1 million, and Sri Lanka, gaining 18.22 percent to $6 million.

Top supplier countries with significant declines in the month were Nicaragua, with imports down 18.46 percent to $5.14 million, and Indonesia, falling 24.34 percent to $4.77 million. Pakistan held steady with an increase in shipments of 1.57 percent to $21.4 million for the month.

Source: sourcingjournal.com-Mar 10, 2020

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The Philippines Readies Roadmap to Revive Garment Industry

The Philippines is on the cusp of finalizing a new industry roadmap to revive its textile and garment industry and restore its competitive edge.

The brainchild of the Board of Investments, the 10-year plan seeks to strengthen links between government, industry and the private sector, establish a dedicated trade office, and put an end to the proliferation of used-clothing imports from North America and Europe that compete with domestic suppliers.

Other strategies featured in the Southeast Asian nation's Textile-Garment Industry Roadmap 2020-2029 blueprint, according to local media, include better integrating the garment and textile sectors, earmarking capital and land to increase production, encouraging the purchase of new equipment and providing fiscal incentives to manufacturers through lower value-added taxes and reduced power rates.

The roadmap also recommends tackling infrastructure gaps and logistical bottlenecks, investing in product development and marketing, incorporating loom weaving into the school curriculum and cleaning up the textile value chain by requiring the registration of chemicals and substances.

By taking advantage of free trade agreements and the Philippines' Generalized System of Preferences status, the government says it wants to position the Philippines as one of the top 10 global garment and textile exporters with an annual export growth of 45 percent.

Still, like many countries that rely on China for raw materials, the Philippines is feeling the economic pinch of the coronavirus outbreak. Local garment manufacturers say they expect export earnings to be flat this year as the spread of COVID-19 continues to shake markets.

"At present, almost all of our apparel production [are] now halted due to raw materials delayed deliveries from China, Korea, Taiwan and other Asian countries," Robert Young, trustee for the textile, yarn and fabric sector of the Philippine Exporters Confederation Inc. and president of the Foreign Buyers Association of the Philippines, told BusinessMirror. "Reason being is that Philippines has no local source or back-up industries…as every [fabric, textile and accessory] item is imported."

But Young says he hopes that proposed legislation, such as the Corporate Income Tax and Incentives Rationalization Act (CITIRA), will attract fresh investments to the country's garment factories. CITIRA, for instance, seeks to lower the corporate tax rate from 30 percent to 20 percent over the next 10 years.

"New factories will come in and then with our advocacy on CSR [corporate social responsibility] and the improvement of the conditions of the factories, I think we will get more orders and, somehow, that can attract more orders for Philippine garments," he added.

The finalized roadmap will also help. "Hopefully, that adds to the increase of the garment orders," he said.

Source: sourcingjournal.com- Mar 10, 2020

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Italy's nationwide coronavirus lockdown is set to rock the luxury retail industry, with brands bracing for what could be a billion-dollar setback

- Luxury fashion is bracing for impact as Italy has been put into complete lockdown amid the coronavirus outbreak.
- Italy has a fashion-and-textile industry worth $107.9 billion, The Wall Street Journal's Eric Sylvers reports.
- The headquarters of Prada, Versace, and Armani are all in the Italian city of Milan, while international brands, such as Louis Vuitton and Stella McCartney rely on Italy for the manufacture of various goods.
- Though many Italian manufacturers are unsure of what happens next, the main concern is not necessarily being able to produce the products – it's being able to sell them.

The luxury fashion industry is still seeing the impact of COVID-19.

Although Vogue Business reports that more than 80% of shopping malls and supermarkets have reopened in major Chinese cities including Beijing, Shanghai, and Guangzhou, Italy is now bracing for the impact the coronavirus will have on its economy and 60 million inhabitants.

On Monday, Italian Prime Minister Giuseppe Conte announced that the entire country would go on lockdown as the number of coronavirus cases continues to rise. As of Tuesday morning, Italy had 9,172 reported cases of the virus and 463 deaths, making it the most affected country outside of China, according to CNN.

As previously reported by Business Insider, luxury stocks were hit hard by the initial outbreak. Over about two weeks, from January 17 to January 31, the MSCI Europe Textiles, Apparel & Luxury Goods Index saw nearly $54 billion in market value erased. On Monday, Tamison O'Connor for Business of Fashion reported that multiple consulting firms, including Boston Consulting Group and Bernstein, had previously predicted in February the luxury sector could lose €30 to €40 billion (up to $45 billion) in sales this year.

But this was before Italy's fashion-and-textile industry – alone worth $107.9 billion, per Eric Sylvers of The Wall Street Journal – was put on lockdown. Italy's northern region is home to 60% of the country's textile and clothing manufacturers, according to O'Connor

The northern region of Italy has been on lockdown since Sunday, Business Insider previously reported, and that move has impacted the luxury sector already. The headquarters of Prada, Armani, and Versace are located in the northern city of Milan. Similarly, many international brands, such as Louis Vuitton and Stella McCartney, depend on factories located in the northern region of the country to manufacture their clothing, O'Connor writes.

But with the rest of the country now on lockdown, brands will have to deal with not just a blow in the northern region's production, but in the southern as well. The southern region contains even more leather goods and jewelry manufacturers. As Business Insider previously reported, leather goods is often one of the top performing sectors for a luxury brand, and one popular handbag has the ability to financially stabilize a company.

Now under a full lockdown, Italian factories are not only worried about whether they can produce products but if they can sell them too.

The Wall Street Journal's Sylvers reported that foreign buyers around the world are cancelling orders of Italian textiles and products, impacting the entire clothing supply chain – from companies who produce the fabrics, to those who create the clothes and accessories.

This couldn't have come at a worse time for an industry that just finished up a month of showing spring/summer collections, as brands must now worry about being able to ship and sell the inventory they spent thousands to produce – not accounting for the often six figure cost of putting on a show.

Though spring/summer collections showed during fashion month with hesitation, before the scale of the coronavirus outbreak was better known, WSJ reports that thousands of buyers, influencers, and journalists have now decided to avoid the Milan runways; consequently, many Italian luxury brands have decided to cancel upcoming cruise collections, per Business of Fashion.

Giorgio Armani's cruise show, which was scheduled for April 19 to April 20 in Dubai, has already been moved to October and will no longer include its initial cruise collection. Versace and Gucci have similarly canceled US shows planned for May, while Prada canceled its May resort show in Tokyo, Business of Fashion reports.

Fashion month ends – and a two-week self-quarantine period begins

Many US-based editors, influencers, models, and buyers who did travel to Milan for fashion events returned home to find a memo from their employers requesting that they self-quarantine due to their travels in Italy.

On February 27, Women's Wear Daily's Kathryn Hopkins reported that Hearst Magazines, which publishes Harper's Bazaar, Marie Claire, and Elle, sent out a memo to staffers saying that anyone who had been to Iran, China, Japan, South Korea, or Italy in the past 30 days must work for home for at least two weeks. Milan Fashion Week took place from February 18 to February 24.

Meanwhile, Dow Jones, which publishes The Wall Street Journal, issued a similar memo, asking anyone who had been to Italy since February 6 – or who lives with a person who had been to Italy in that timeframe – to self-quarantine.

Penske Media, which owns WWD, Variety, and Rolling Stone, advised staffers to work from home for at least 14 days following their return if they've traveled to a coronavirus-impacted area, while Meredith Corp, which owns InStyle and People, recommended voluntary two-week quarantines for those coming back from Milan. Condé Nast, however, which owns Vogue,

Glamour, and GQ, did not issue a remote work mandate for its jet-set staffers.

And these measures already seem to be necessary: The South China Morning Post reported on Sunday that Nga Nguyen, a 27-year-old steel magnate heiress and prominent Vietnamese socialite who, in February, attended Gucci's fashion show in Milan and Saint Laurent's in Paris, has been diagnosed with coronavirus.

Source: businessinsider.sg- Mar 09, 2020

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Australian cotton industry opens its doors for community engagement day

Australian cotton industry opens its doors forcommunity engagement dayNo topic was off limit as the Australian cotton industry opened its doors and welcomed a broad range of community stakeholders to itsCotton Open House engagement event in Sydney today.

Hosted by Cotton Australia, the event was designed to bring a diverse range of community stakeholders together and put the industryunder the microscope in the spirit of complete transparency and engagement.

G uests listened to a variety of panel sessions and presentations about key topics affecting the Australian cotton industry, and guestswere given the opportunity to ask questions of growers and industry personnel.

Cotton Australia CEO Adam Kay said the industry needed to be better at engaging with the public about Australian cotton. " We accept that o ver the recent past, we have not engaged with the broader community well enough about what we do and why we doit," Mr Kay said.

"We completely accept that portions of the community have deep concerns and questions about the Australi an cotton industry. We hear those people and we acknowledge their concerns.

"This has led to the creation of the Cotton Open House engagement event, and we hope this initiative will play an important role in theprocess of improving community understanding of our industry."A broad range of

guests were invited to the event, including representatives from non-government organisations, business, communityand environmental groups, media and government.

“W e didn’t want to preach to the converted; we wanted attendees that have had limited exposure to our industry so they could have theopportunity to question us and learn about what we do,” Mr Kay said.

“It was important for attendees to hear from those in our industry who work on the ground and across the supply chain – growers.

scientists, and other personnel who are experts in key topics including water, climate change, sustainability and community.”Queensland -based cotton grower F leur Anderson said engaging with community members was important for the industry.

“As a grower, I hear the concerns that have been raised about the cotton industry and I accept that those concerns are real. Caring forthe environment, being water efficient, and tackling climate change – topics we hear the community question us on – are all things Icare about too,” Ms Anderson said.

“We need to bridge the city -country divide, and what’s really key is that we have a calm, rational conversation about: concerns, whatwe have in common, where we have dif ferences, and what the industry need s to work on to better engage with the community.

“It was really wonderful to be involved i n the event today and to meet with stakeholders and share o ur industry’s story with them.

because we have a great story to tell, and it is an industry that I’m very proud to be involved in.”Cotton Australia CEO Adam Kay encouraged the broader community to engage with the cotton industry.

” We’ve made a concerted effort to improve how we share information about our industry,” he said.

“A great place to start is by visiting Cotton Australia’s newwebsite – cottonaustralia.com.au – and by exploring all the informationpages we have collated.

” We really encourage people to r each out to us, chat to us, and ask us the questions you have.

Source: miragenews.com- Mar 11, 2020

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Cotton Highlights from March WASDE Report

The March 2020 World Agricultural Supply and Demand Estimates (WASDE) report has been released by USDA. Here’s the monthly cotton summary:

This month’s 2019/20 U.S. cotton forecasts show lower production, price and ending stocks relative to last month. Production is reduced 300,000 bales to 19.8 million, based on the March 10 Cotton Ginnings report. The final estimates for this season’s U.S. area, yield and production will be published in the May 2020 Crop Production report.

Domestic mill use and exports are unchanged from last month, and ending stocks are lowered 300,000 bales to 5.1 million. The projected marketing year average price received by upland producers of 60.0 cents per pound is down 2 cents from last month.

The global cotton supply and demand estimates show larger production and ending stocks.

Consumption is forecast 850,000 bales lower, as a 1-million-bale cut in China’s expected consumption is only partially offset by increases for Bangladesh and Turkey.

Production is up about 250,000 bales as larger expected crops in Brazil, Chad and Tajikistan offset a lower U.S. crop and some smaller declines elsewhere.

Ending stocks for 2019/20 are projected 1.3 million bales higher this month and 3.2 million bales higher than in 2018/19.

Source: cottongrower.com- Mar 10, 2020

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Central Asia: Consumption booms while exports falter

Central Asia cotton consumption is expanding significantly. Share of world exports has dropped per annum since 2015/16.

Central Asia cotton consumption is expanding significantly as countries implement political measures to curb exports and to support value-added use. Share of world exports has dropped per annum since 2015/16 as 2019/20 shipments are projected to be less than half of the region's exports just four years earlier.

With stable production, major producing countries such as Uzbekistan, Turkmenistan, and Tajikistan have sought to secure greater domestic supplies for inward processing and downstream exports (e.g. cotton yarn, fabric, and garments).

Uzbekistan

Uzbekistan banned exports starting this month, a similar measure to Turkmenistan banning exports in 2018/19 (for a brief period); Tajikistan had also discussed following the same measure. Uzbekistan comprises the bulk of production and use, with the 2019/20 forecast accounting for more than three-fourths of the region's total consumption.

Government funding and support for cotton "clusters" has encouraged foreign and domestic companies to implement a more fully integrated supply chain.

These companies are expected to improve efficiency of lint production via drip irrigation and machine harvesters (versus handpicked), expand spinning mills' operating capacity, and further develop fabric and garment manufacturing as they shift to exports of value-added cotton products versus unprocessed lint. Expanded capacity is evident with record first quarter (Aug - Oct) cotton yarn exports for the respective period.

Tajikistan

Greater government and foreign investment has also been evident in Tajikistan, as the government proposed to establish a full cycle of processing cotton by 2025. The country has recently expanded spinning capacity with additional government and Chinese investment.

Turkmenistan

Turkmenistan, the region's second-largest producer, temporarily embargoed exports in 2018/19 (record low volume) to ensure adequate supplies for domestic consumers.

Challenges in regard to expanding exports of processed products include consistent and sufficient domestic crops, affordable electricity, reliable and timely transportation for exports, and mill access to financing. Nonetheless, Central Asia's 2019/20 cotton consumption is forecast at a record.

Source: textile-network.com - Mar 11, 2020

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Azerbaijan, Turkmenistan to enhance trade, economic cooperation

Azerbaijan and Turkmenistan affirmed mutual interest in expanding and diversifying bilateral trade and economic cooperation as the two countries' top leaders met here on Wednesday.

"We defined priority areas of cooperation, in particular energy, transport, communications, chemical and textile industry, construction, technologies, service sector and etc.," Turkmen President Gurbanguly Berdimuhamedov told a news conference following the meeting with his Azerbaijani counterpart Ilham Aliyev.

Berdimuhamedov said Baku and Ashgabat reached agreement to coordinate efforts toward building East-West transport and transit corridors passing through the territories of both countries.

"We also agreed to use port infrastructure of both Turkmenistan and Azerbaijan on the Caspian Sea in order to establish automobile-ferry and railway-ferry communication."

Berdimuhamedov expressed his country's interest in cooperating with Azerbaijan in energy, chemical, textile industries and the IT sector.

The Turkmen president said they also discussed regional and global politics and security.

Aliyev said the two countries agreed to increase the volume of cargo transportation. "Given our close and good relations with our neighbors, we will attract more shippers from neighbouring countries to build a new transport corridor that will stretch thousands of kilometers."

The two countries signed a package of nearly 20 documents during Berdimuhamedov's one-day official visit, including in the fields of civil aviation, culture, migration, education, protection of environment, and land cadastre.

Trade between Azerbaijan and Turkmenistan saw a 40 percent increase last year in comparison with 2018.

Source: china.org.cn- Mar 12, 2020

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Pakistan: GSP Plus to help Pakistan boost textile exports by $500m per annum: Razak

The EU extension of the Generalized System of Preference (GSP) Plus till 2022 would help Pakistan boost up its textile exports by $500 million on per annum basis, Adviser to PM on Commerce Abdul Razak Dawood said on Monday.

In an exclusive talk with The News here at his ministerial office, Razak Dawood said that the textile sector had exhausted its full capacity and there was now need to undertake BMR (Balancing, Modernizing and Replacement) as well as new investment to construct new factories for meeting increased requirements.

He said the government was going to unveil the Strategic Trade Policy Framework (STPF) on coming Thursday soon after getting approval of the cabinet. “The tariff rationalization will also be approved during the ongoing month but it will be made public on the eve of next budget for 2020-21,” Adviser to PM on Commerce Abdul Razak Dawood said.

The adviser also disclosed that the government would maintain the existing tariff slabs in the upcoming budget with zero, 3 percent, 6 percent, 11 percent and 20 percent. He said the government had brought 1,635 products from slab 3 percent to zero in the last budget, so more items would be brought

down into lower slabs of zero, 3 percent, and 6 percent. The last two slabs of 11 percent and 20 percent would not be altered in a major way in the coming budget, he maintained.

The adviser dwelt upon different issues including extension of GSP Plus status and its potential impact on Pakistan's trade and its related challenges, finalization of Strategic Trade Policy Framework (STPF) and upcoming Tariff Policy during his talk.

On the GSP Plus status, he said that Pakistan's textile exports to the EU in the aftermath of getting GSP Plus status doubled from $4 billion to $8 billion during 2014 to 2019. "Now our estimates suggest that Pakistan's exports to EU can go up by additional $500 million on per annum basis," he added.

The adviser said that the European Union assessed that Pakistan's range of textile products did not expand despite doubling its exports, so there was a need to expand the export base by including more new areas of textile products to boost up exports.

The exports of yarn and grey clothes were witnessing downward trends but the garments, hosiery and home textiles were achieving double digit growth in exports in the range of 16 to 18 percent. He said that Pakistani exporters would have to focus on new areas such as men suiting and women dressing in order to boost up exports.

He said that when this government came into power in 2018, everyone was talking about de-industrialization and shrinking base of manufacturing sector but now the textile sector had exhausted its capacity and exporters were finding it hard to meet the requirements of export orders. "Now the time has come where we need to focus on BMR and establishing new factories," he maintained.

On the STPF, he said that the cabinet would consider approval of this policy in the next meeting scheduled to be held on coming Thursday and then it would be announced on the same day.

When asked whether it would be three year or five-year policy, he said that the cabinet would take a decision about it but it would be three to five years policy. When asked about the exports target, the adviser refused to share its details and asked to wait till the policy was approved by the cabinet.

Regarding the National Tariff Policy, he said the new tariff rationalization would be approved within the current month but it would be implemented from the next budget for 2020-21. The existing tariff slabs would remain unchanged at zero percent, 3 percent, 6 percent, 11 percent and 20 percent in the coming budget. He said that tariff of lower slabs would be further cut down in order to spur growth and promote economic activities.

Source: thenews.com.pk- Mar 10, 2020

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Pakistan to Cut Import Duty to Make Exports More Competitive

Pakistan is planning to remove duties on many raw materials used by exporters, reported Bloomberg. This was revealed by Abdul Razak Dawood, commerce and investment adviser to Pakistan's prime minister in an interview with Bloomberg.

This will make them more regionally competitive and help the economy escape a recurring boom-bust cycle.

Razzaq told Bloomberg that duties on imported raw materials, which were removed on more than 1,600 products last year, will be further reduced or eliminated in this year's budget. He's "very hopeful" the government can continue supplying discounted energy to export-based factories.

The report further stated that shipments from the South Asian nation have been sluggish– ranging between $20 billion-$25 billion per year — over the past ten years or so, a time when other developing economies like Vietnam and Bangladesh have seen their export sectors thrive.

However, the devaluation and import-duty cuts have improved Pakistan's competitiveness, with exports expected to rise by $1.5 billion this fiscal year and next to a record $26 billion, according to Dawood, who also advised the government in a similar role from 1999-2002.

Dawood further stated that more than half of Pakistan's exports are textiles, with the industry now operating near maximum capacity.

The biggest textile firms — including Interloop Ltd., Nishat Group and Sapphire Group — are looking to expand, said Dawood.

The European Union, which takes about one-third of Pakistan's exports, has extended favorable access to its markets for two more years. Pakistan's exports to Europe grew by 30% in the two years after it received favorable access in 2014, but the pace has slowed since then.

Dawood also expects a free-trade agreement with China, which took effect in January, to boost overseas shipments by at least $500 million annually.

"There is a global slowdown right now but Pakistan's exports are showing very, very good results," Dawood said. "I'm hoping this will be the first indicator of an upward trend."

Source: propakistani.pk - Mar 11, 2020

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Pakistan: Raw cotton imports: what's going on?

Conflicting reports are coming in regarding the Feb-20 cotton import bill. While estimates of domestic seasonal output are in, it appears cotton import volume may not have increased correspondingly.

Although arrival of late cotton harvest in ginning factories historically continues into April, as per Karachi Cotton Association's daily report, no increase in stocks was seen between 15-Feb and 01-March arrival position in ginneries.

While the federal government is yet to announce its official figure in CCAC meeting scheduled for April, it appears total cotton production for the 2019-20 kharif season will clock in 8.56 million bales, worst in last 26 years.

According to Textile Commissioner's Organization, annual bale consumption by domestic yarn mills has ranged between 14 to 16 million bales for the last 14 years. Going by the conservative number, spinning sector is looking at a shortfall of at least 5.5 million bales, but pickup in import appears stubbornly slow.

Highest shortfall during the last decade stood at 3.5 million bales during FY18; that year, cotton imports picked up pace early right from the beginning of ginning season. Cotton import during Oct-Dec 2017 stood 0.25 million bales, with additional import of 3.2 million bales in second half of that fiscal year.

If anything, demand for imported cotton should have only aggravated since. Yet, cotton import for first six months stood at just 0.29 million bales. Market intelligence at the time had suggested that distortive tariff of 5 percent custom duty and 5 percent sales tax applied for months of Jul-Dec may have kept spinners on the side lines during first half of the year. However, banking channels noted that import contracts had already been locked in for delivery beginning January; with the full impact of demand for imported cotton to reflect in the remainder 6 months of the fiscal calendar.

Yet, January came and went with a whimper. While it is correct that import picked up significantly in percentage terms on both month-on-month and yearly basis, volume imported of just 0.4 million bales appeared insignificant to address shortfall due to low domestic output.

Spinning giants insisted that because the tariff easing came into effect only in the second half of January, delivery faced delay. Considering the demand from yarn segment has been sticky for a decade and a half, that would mean average cotton import of 0.7 million bales between Feb-Jun 2020. Except, reports from cotton traders now indicate that Feb import also saw no serious upsurge.

That is worrisome. Although PBS advance releases are still awaited, cotton traders are of the view that Covid-19 has affected shipment timing, and Feb's volume has carried over into March. While this may have no impact on annual import bill, delay in import of raw material is indicative of how the logistical risk can slowdown the value chain, with the effect to eventually trickle down into garment exports later.

But there is another view. Considering the slowdown in global trade witnessed over the past 18 months – exacerbated now only by fears of global pandemic – international cotton market is not exactly witnessing a resurgence. Even at $1.5 – $ 1.6 per kg, prices are a far cry from $2 peak last seen two years ago. The theory goes – why import cotton when yarn buying can be done at similarly lower rates?

Since PBS monthly import releases do not disclose figures for cotton yarn import, it is hard to say whether the theory holds weight. Either way, March trade numbers will make up for an interesting read.

In case raw cotton import is facing a slow pickup without commensurate increase in yarn import, lower cotton availability will begin to hurt garment exports. And if garments export volume continues to surge regardless, the theorists must look for other explanations, such as whether a 'synthetic fibre based exports' revolution is underway?

Source: brecorder.com - Mar 11, 2020

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Bangladesh: Plagued by coronavirus, can the RMG industry pull together?

Recently, I wrote about how coronavirus (COVID-19), which is now on the verge of becoming a global pandemic, has provided a wake-up call for Bangladesh and its RMG industry.

An over-dependence on China has left many manufacturers in Bangladesh (as well as our rivals) exposed due to a lack of raw materials and intermediaries for garment and textile production.

In only a few days since I wrote that article, the situation with regard to COVID-19 has become much worse. I will outline here a few ways in which RMG manufacturers in Bangladesh are being impacted.

Firstly, many of our buyers are facing challenges of their own (of which more below). For this reason, they are writing to their suppliers in Bangladesh asking if payment for products can be delayed—by up to 30 days and beyond in some cases.

This is a real challenge, and will prove particularly troublesome for SMEs with limited cash reserves and poor cashflow generally. For those who are running a tight ship, how will they pay their staff on time? As ever, factories—suppliers—are proving the fall guy in an industry-wide problem.

The second issue is that the holidays associated with the Chinese New Year, including in Hong Kong, were extended by around 20 days due to the outbreak of COVID-19.

The fact that payments from customers via Hong Kong had already been delayed, and the lack of ability to get into work as outlined above have only made a bad problem even worse and extended payment delays further.

Moreover, many Bangladeshi apparel manufacturers have opened back-to-back Letters of Credit for fabrics and raw materials with Chinese companies. Because of COVID-19, many Chinese suppliers have not been able to deliver these fabrics or raw materials.

However, in this scenario, Bangladeshi suppliers are becoming the defaulter to the banks as most Letters of Credit are irrecoverable once the importer has sent them.

All of the above factors are hitting Bangladeshi RMG suppliers hard in the pocket. Against such a backdrop, the question that needs to be asked is: if suppliers are experiencing major delays in payment, or are not even receiving goods which they are now financially liable for, how can they be expected to pay their workers' salary on time?

All of us in the supply chain recognise the huge challenges that COVID-19 represents and understand that it is a human tragedy first and foremost. But it also has huge business ramifications.

There are also broader, long-term economic factors to consider. As well as already being squeezed hard financially due to the above factors, there are potentially dark clouds on the horizon for our industry.

In Europe, our largest market, we are seeing massively reduced footfall on the high streets as people are being advised by governments to isolate themselves and minimise social contact. Less people out and about means less shopping, and there can be no question now that consumer goods including apparel are going to be hit by COVID-19.

McKinsey has issued a briefing suggesting that consumer goods will not be impacted as badly as services since they will only suffer a "delayed spend." In other words, people will put off purchases they might make now to a later date. But the uncertainty of the current situation means we simply do not

know what that date might be. Spring? Summer? This is a new disease and the world is in new territory.

It is for these reasons that I believe Bangladesh's RMG industry is facing a once-in-a-generation challenge. The closest we have had to anything like this in recent years is the 2008 financial crash which placed a liquidity squeeze on the global economy. That's how serious this is, economically at least.

I say all of this not to be a scaremonger, rather, to say that now is the time we as a country—and RMG as an industry—should pull together like never before.

The government needs to provide policy support to the RMG manufacturing community at this challenging time. It should consider working closely with industry stakeholders to introduce short-term financial relief mechanisms for the directly impacted as well as supporting enterprises.

I believe that banking supports such as zero-interest loans to help factories with cashflow problems and the option to allow the garment factories to reschedule their loans without penalty can help the industry from steep falling.

Actions should be taken sooner rather than later to ensure factories are best placed to weather the storm. It is hoped that our policymakers will sit down carefully to develop innovative, intelligent solutions which will enable the manufacturers to face head-on one of the biggest challenges for a generation.

Most importantly, it is not an isolated crisis for Bangladesh, rather a critical time for the entire world. So the time demands greater collaboration. Global apparel stakeholders need to come up with a harmonised strategy to respond to the epidemic outbreak of COVID-19.

In this tumultuous time for business, neither the manufacturers nor the buyers seem to be spared from the fallout. Clearly, the epidemic has put us into a situation where strengthening relationship between buyers and suppliers can only help each other to face the blow. Responsible purchasing practices are needed now more than any time before.

Source: thedailystar.net- Mar 11, 2020

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NATIONAL NEWS

Coronavirus not to impact cotton exports; shipments to be 42 lakh bales: CAI

The coronavirus outbreak will not have much impact on exports of cotton, Cotton Association of India (CAI) said on Friday projecting the overall shipments of the commodity for this season at 42 lakh bales.
The cotton season begins from October.

“The outbreak of coronavirus will not have much impact on exports as last year we did not ship much. We shipped only 8 lakh bales to China last year and this year we have already shipped 6 lakh bales till February end.

“The pick-up in demand from other markets like Bangladesh will keep the exports at the same level as last year. We are estimating exports for this season to be at 42 lakh bales,” CAI president Atul Ganatra told PTI here.

Till February-end, exports to Bangladesh were at 14 lakh bales, Vietnam and Indonesia 5 lakh bales and to other markets 2.50 lakh bales, he added. “As we have six more months this season we are confident that we will easily achieve our target,” he added.

Meanwhile, CAI has projected 354.50 lakh bales (170 kg each) in its February estimates for the cotton season beginning October. Estimating 354.50 lakh bales in February, CAI said the total cotton supply estimated by CAI during October 2019 to February 2020 is 298.43 lakh bales.

This consists of the arrivals of 254.43 lakh bales up to February 29, 2020, imports of 12 lakh bales and the opening stock estimated by CAI at 32 lakh bales at the beginning of the season, CAI said in a statement here.

Further, the association has estimated cotton consumption during October 2019 to February 2020 at 133 lakh bales, while the export shipment is estimated at 27.50 lakh bales till February. CAI has estimated exports for the season at 42 lakh bales, the same level as estimated in the previous year.

Stock at the end of February 2020 is estimated at 137.93 lakh bales including 40 lakh bales with textile mills and remaining 97.93 lakh bales with CCI and others (MNCs, traders, ginners among others).

CAI has estimated total cotton supply till end of the cotton season, that is up to September 30, at 411.50 lakh bales.

Total cotton supply consists of the opening stock of 32 lakh bales at the beginning of the cotton season estimated at 354.50 lakh bales and imports estimated by the CAI at 25 lakh bales, which are lower by 7 lakh bales compared to the previous year's estimate of 32 lakh bales.

Domestic consumption estimated for the entire crop year, that is up to September 30, 2020 is 331 lakh bales. The carryover stock estimated at the end of the season is 38.50 lakh bales.

Source: financialexpress.com- Mar 11, 2020

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India exploring nuts and bolts of possible FTA with Australia

Trade Ministers of both countries, who met last month, are working on what they can offer each other

India is exploring workable components of a possible free trade agreement with Australia, following the visit of Australian Trade Minister Simon Birmingham to New Delhi last month, when he discussed the advantages of forging such a pact with his Indian counterpart Piyush Goyal.

"Australia already knows about many of our red lines which include dairy and certain agricultural products and seems ready to accept them. That makes it easier for us to negotiate an FTA," an official said.

The formal decision to launch negotiations for an FTA — officially known as Comprehensive Economic Cooperation Agreement (CECA) — between India and Australia will be taken after both sides go through what each is ready to offer the other, in a series of video-conference meetings.

"India and Australia both are working on what they can offer each other. Once it is discussed, a decision can be taken on whether negotiations should begin on a CECA," the official said.

Decision on agreement

In his meeting with Goyal, the Australian Trade Minister said while his country wanted India to re-enter the Regional Comprehensive Economic Partnership (RCEP) negotiations, it was willing to look at India's proposal of a bilateral pact.

India had exited the RCEP, the 16-member proposed bloc, including the ten-member ASEAN, China, Australia, New Zealand, India, Japan and South Korea, in November 2019 as it was not comfortable with the high levels of market access being sought by other members and inadequate protection against cheap imports from China due to less stringent Rules of Origin norms.

"Both India and Australia are willing to see if the work we have done bilaterally in relation to RCEP could be captured between the two countries. We have asked our officials to look at that," Birmingham had said in a select media briefing following his meeting with Goyal.
Bilateral pact

Trade between India and Australia trade has grown steeply over the last decade but is heavily skewed in Australia's favour. In 2018-19, India's imports from the island-nation were valued at $13.3 billion, while Australia's imports from India accounted for only at $3.52 billion, resulting in a trade deficit of almost $10 billion.

However, as Birmingham pointed out, the imbalance is mostly due to high imports of coal by India from the country.

India and Australia had started negotiating a bilateral CECA in May 2011, but the talks got suspended in 2015 because of disagreement over issues such as the market access in agriculture and dairy products demanded by Australia.

"If Australia adopts a flexible approach in dairy and agriculture and is willing to accommodate some of our interests in the services sector including easier visa rules for workers, a free trade pact can certainly be worked out," the official said.

Source: thehindubusinessline.com- Mar 11, 2020

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GST on cellphones, footwear, textiles to be rationalised on March 14

The GST Council is likely to rationalise tax rates on five sectors, including mobile phones, footwear and textiles, and defer implementation of the new return filing system and e-invoicing in its meeting on March 14. The Council, chaired by Finance Minister Nirmala Sitharaman, would also discuss operational glitches on the GST Network portal and seek a resolution plan from Infosys, which has won the contract for managing back-end for GSTN in 2015, officials said.

Further, ways to augment revenue collection would also be discussed as the Centre has made it clear to the states that it does not have money in compensation funds to pay off the states for loss in revenue due to the goods and services tax (GST) implementation.

The Council would also discuss the integration of the GST e-way bill system with the NHAI's FASTag mechanism from April to help track movement of goods and check GST evasion, while also discuss preparedness for Aadhaar-based authentication of GST-registered taxpayers.

The planned lottery scheme under GST, which is proposed to be launched from April 1, would also be discussed in the meeting, officials said. "The Council would discuss rationalisation of GST rate in sectors which see duty inversion, leading to high input credit refund claims," an official told PTI.

Currently, cellular mobile phones attract 12 per cent duty, while GST on some of its inputs are 18 per cent. With regard to footwear, the Council, in June last year, had lowered GST rate to 5 per cent on items worth up to Rs 1,000, while those above this value attract 18 per cent duty. However, inputs used by the sector attract GST rate in the range of 5-18 per cent.

The textiles sector currently has a differential GST rate of 5, 12 and 18 per cent. This leads to difficulty in issuing and claiming of refunds by exporters.

GST rate on chemical fertilisers is currently at 5 per cent, while inputs are taxed at 12 per cent. The committee of officers set up to suggest ways to augment revenue had earlier suggested several measures to remove anomalies such as inverted duty structure, which causes an annual revenue loss of Rs 20,000 crore.

According to the panel, manufactured goods like fertilisers, mobile phones, footwear, renewable energy equipment, and man-made yarns attract GST of 5-12 per cent, thereby leading to an inverted duty structure, where GST on finished goods is less compared to the duty on inputs.

The official further said that in view of Infosys failing to stabilise the GSTN software even after 30 months of its launch, the Council is likely to defer the new return filing system from the earlier envisaged date of April 1.

Also, mandatory generation of e-invoice for business-to-business (B2B) transactions for businesses with a turnover of over Rs 100 crore is likely to be deferred by three months till July 1.

Also, the Council will decide on lottery offers under GST from April 1 by conducting lucky draws every month for invoices of all business-to-customer (B2C) transactions.

Launched on July 1, 2017, GST has subsumed over a dozen indirect taxes, like excise and service tax. However, revenues under the new indirect tax regime has not picked up as per expectations mainly on account of evasion.

Source: moneycontrol.com- Mar 09, 2020

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Lima to host the sixth round of India-Peru FTA negotiations

In an effort to conclude the special Free Trade Agreement (FTA) during the FY 2020-21, the sixth round of India-Peru Trade talks are scheduled for April, as both countries are making efforts to expand their trade basket.

India and the South American nation are looking at the agricultural products, as well as rare minerals like Lithium, and gold, zinc and copper.

A top diplomat told Financial Express Online that, “The sixth round of negotiations between the two countries is expected to take place between April 21-24 in Lima, Peru and this will help in increasing the current bilateral trade between the two which is around $ 4 billion.”

Besides liberalizing trade in goods and services, the negotiations are aimed at further enhancing the two-way commerce and investments well as the movement of professionals and procedures for customs and market access for good.

The discussions between the two countries had started in 2017 when senior officials from the Ministry of External Affairs and the Ministry of Commerce had visited Peru to identify the issues related to trade that needed to be addressed.

Peru and India are celebrating 56 years of bilateral relations and the South American country which is the sixth-largest producer of gold and the second-largest producer of silver.

For Indian investors who are keen to expand their presence in the region, Peru which is ranked third-largest producer of copper, tin, zinc, and lead could be a gateway.

India is already importing gold, silver, and copper from that country which has witnessed a significant increase in the past few years as there is open trade between the two. Peruvian table grapes- the Red Globe variety, citrus fruits, avocado, grapes as well as the quinoa are now in the Indian market.

Why talks for FTA?

Both countries are keen to relax rules and norms which will help in promoting trade in services. Also, efforts are on to reduce and eliminate duties on most of the goods which are being imported in India from there.

Lithium in Peru

Though it is too early to discuss, still the two sides next month are likely to talk about Peru's latest finding of high-grade lithium. The finding is almost seven times more than what has been discovered in Bolivia and Chile.

Source: financialexpress.com- Mar 11, 2020

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COVID-19: China slowdown set to shake Indian market sectors

The ripples of the coronavirus (COVID-19) outbreak across certain countries are likely to hurt various manufacturing and market sectors in India, where imports from China stand at US $70 billion.

China and some countries in South-East Asia have been the worst affected by the disease accounting for approximately 90% of the cases reported so far. A March report by rating agency ICRA titled 'Ripple effect of COVID outbreak to impact India Inc',' says sectors like automotive, pharmaceuticals and others stand to lose, while those like steel and oil and gas stand to gain from the coronavirus outbreak fallout.

Given that China's share of global GDP standing at 17% is substantial, a cascading effect of China's slowdown on the global economy is inevitable as China and South-East Asia are key suppliers and consumers of certain products, the report said.

Supply disruptions of key raw materials in pharmaceuticals, electronics and renewable energy sectors will affect production in India if the situation persists, the ICRA report states.

These sectors have a direct or indirect import dependence on affected markets for components or sub-components. COVID-19 could cause demand disruption and price corrections in sectors like cut and polished diamonds, cotton yarn (textiles) and seafoods where the affected markets are large importers from India.

There will also be effects on commodities like oil and gas, metals, among others, according to ICRA.

In the current scenario, where dropping and lengthening of payment cycles is expected, an entity's liquidity position is of paramount importance to support its credit profile.

"ICRA expects entities with weak liquidity buffer relative to its upcoming debt service obligations to report significant weakening of their credit profile over the next couple of quarters," the report stated.

Automotive

China supplies 27% of India's auto components, valued at US$ 4.5 billion. Critical items like safety components, fuel injection pumps, EGR modules, electronic components, turbochargers etc, are sourced from countries currently affected by coronavirus. Currently, companies have overall inventory for a few weeks, but lack of a single critical component can affect production

Pharmaceuticals

Import dependence is high at 60% for API requirement, of which China accounts for 65-70%. For some intermediates and key starting materials (KSMs), China is the sole supplier. Domestic API manufacturers have supplies till mid-March, beyond which production and prices including that of raw materials will be affected if the situation continues.

Solar energy

India imports approximately 70% of its requirement of photovoltaic (PV) modules from China, which controls about 80% of the global supply of solar panels. Shifting to other suppliers is currently next to impossible. Thus, execution timelines for ongoing solar projects are likely to be affected and costs of PV modules expected to go up.

Gems & jewellery

While China buys around 14% of polished diamonds from India, a larger proportion of exports from India (35%) are routed via Hong Kong. The problem was compounded as the shutdown occurred during the peak sales period in China. Increased inventory levels and supply glut may lead to price corrections as well.

Textiles

Of the cotton yarn produced in India, 30% is exported, and one-third of that goes to China. With China locked down, yarn realizations have corrected 2-3% since beginning of February. Domestic spinners may lose their competitive edge in the global market if the situation persists. In the long term, sectors like apparels can benefit.

Steel

Benefiting from the situation, domestic steelmakers have effected two price hikes since February, given the likely decline in steel imports to India in Q1 FY2021. Indian mills have the opportunity to increase market share in exports to key markets as well, given the restrictions in trade flows from Korea, China and Japan.

Oil & gas

With the demand for oil and petroleum products waning in the wake of the COVID outbreak in China, international crude oil prices have dropped. Distressed cargoes are being offered to large consumers such as India, with refining companies in China unable to deliver. Profitability of upstream companies is likely to be affected.

Source: timesofindia.com- Mar 12, 2020

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Commerce ministry calls meeting of stakeholders on Mar 16 on new foreign trade policy

The commerce and industry ministry has called a meeting of all stakeholders on March 16 to discuss issues related to the forthcoming foreign trade policy (FTP) for 2020-25, an official said.

The meeting will be attended by industry chambers and exporters from various sectors such as textiles, chemicals, agriculture, capital goods, electronics, engineering, pharmaceuticals, leather, higher education, hospitality, e-commerce, and entertainment.

"We will have a sector-wise roundtable meetings and it will be followed by report-back session," the official said.

All exports and import-related activities are governed by the FTP, mainly aimed at enhancing the country''s exports and use trade expansion as an effective instrument of economic growth and employment generation.

The meeting assumes significance as the commerce ministry is likely to soon come out with the policy, which provides guideline and incentives for increasing exports, for the next five financial years 2020-25.

The validity for the old one will end on March 31, 2020.

The new policy could focus on simplifying procedures for exporters and importers besides providing incentives to boost outbound shipments.

The ministry''s arm Directorate General of Foreign Trade (DGFT) is formulating the policy.

Currently, tax benefits are provided under the Merchandise Export from India Scheme (MEIS) for goods and the Services Export from India Scheme (SEIS).

In the new policy, changes are expected in the incentives given to goods as the current export promotion schemes are challenged in the World Trade Organization.

Source: outlookindia.com- Mar 11, 2020

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‘Use subsidies to start small textile parks’

Entrepreneurs involved in textile manufacturing can make use of the ₹ 2.5 crore subsidy offered by the State government for starting small textile clusters/parks, said Sivaganga Collector J. Jeyakanthan.

A consultative meeting was organised with textile entrepreneurs and investors here on Wednesday. The Collector said that the textile industry was an important sector because of its ability to generate a large number of jobs.

He also highlighted that Chief Minister Edappadi K. Palaniswami had made an announcement under Rule 110 in the Tamil Nadu Legislative Assembly regarding the subsidy of ₹ 2.5 crore for starting textile parks and added that an organisation with a minimum of three members would be eligible for the scheme. They must also possess two acres of land for the purpose.

He said that this initiative of the State government was to promote the growth of textile industry and modernising it. The objective was to enhance production and also focus on yield. As a result, the workforce can also be trained to the state-of-the-art technologies available, which would facilitate survival in the sector.

The Collector added that the creation of such small textile parks in different regions will help in creation of employment, thus boosting the economy overall. Migration of labourers can be prevented. Also, the workforce would not be concentrated in one city or town, but spread across the length and breadth of the State, Mr. Jayakanthan said.

He appealed to the entrepreneurs to make use of the government's initiative and help in the creation of jobs for generations.

Some of the participants welcomed the objective and hoped to take it up in the ensuing fiscal year.

Source: thehindu.com- Mar 11, 2020

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How India can beat China in global trade; domestic pharma, chemical-makers have an edge

India can beat China if the country adds efforts to increase production in the field of pharmaceuticals, textiles, engineering goods, and chemicals.

The weak competition from the dragon can make India a potential trade beneficiary in the current situation.

"This is also an opportunity for India to present itself as a serious alternative to China as an investment destination, according to the March 2020 report by Brickwork Ratings.

This would, however, require embarking on structural reforms to present India as an attractive investment destination.

As the epidemic has engulfed many countries in its ambit, ramping up the production and exports of certain products may help India climb the ladder.

Pharmaceutical industry

The Indian pharma industry has outsmarted other industries as even amid a major slowdown, it has grown by nearly a rate of 10 per cent so far. Also, the Indian pharma industry has recently got another reason to cheer after Afghanistan recognised the Indian Pharmacopoeia (IP) – Indian standards of drugs – formally by its health department.

This has also marked a new beginning for the domestic pharma sector as Afghanistan becomes the first country to approve such recognition by the National Department of Regulation of Medicines and Health Products of the Ministry of Public Health of the Islamic Republic of Afghanistan.

Chemical industry

India's chemical industry is estimated at $163 billion in FY18 and it is estimated to grow at about 9 per cent per annum to reach USD 304 billion by FY25, according to FICCI.

Also, the growth rate (CAGR) in the production of chemical and petrochemical sector in the past decade was 5.57 per cent, D V Sadananda Gowda, Minister for Chemicals and Fertilizers said in a reply to a question in Lok Sabha.

Meanwhile, the move will not only take India to a higher spot globally but it will also pull out the domestic industry from a deep ongoing slowdown and weak economic growth.

The pessimism about the growth scenario comes from the fact that virtually every sector of the economy has shown deceleration or stagnancy except the agriculture and financial, real estate and professional services, the report added. In fact, with two successive quarters of contraction, the industrial sector seems to be in recession, it further added.

Source: financialexpress.com- Mar 11, 2020

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Raymond CEO for lifestyle business Sanjay Behl quits, stock down by 4.3%

Sanjay Behl, Chief Executive Officer for lifestyle business at fashion and textile retailer Raymond Ltd, has decided to step down from his current role after serving for seven years.

"This development is a natural transition as we are in the process of forming a new company that is focussed on lifestyle business as part of the demerger process at Raymond Group," the company said in a statement.

"While we are in the process to appoint a new CEO, Behl has agreed to help in the transition and a seamless handover."

Raymond Group announced the demerger recently and has already initiated the process of completing formalities for listing the new lifestyle entity Raymond Lifestyle Ltd.
The lifestyle business through a new listed company will have the existing business of branded textiles, branded apparel and garmenting.

"Raymond is managed by a strong team of professionals and we are confident of hiring the best-in-class CEO for the proposed listed entity as we embark on a new phase of transformation at Raymond Reimagined," said Chairman and Managing Director Gautam Hari Singhania.

Raymond is India's largest integrated worsted suiting manufacturer that offers end-to-end solutions for fabrics and garmenting.

It has some of the leading brands within its portfolio -- Raymond Ready to Wear, Park Avenue, ColorPlus, Parx, Raymond Made to Measure among others.

Raymond has one of the largest exclusive retail networks in the country with over 1,500 stores across 601 towns.

At 10:30 am, the company's stock was trading 4.37 per cent lower at Rs 421 apiece.

Source: business-standard.com- Mar 11, 2020

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