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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 184 of 2017 September 12, 2017

USD 63.99 | EUR 76.51 | GBP 84.33 | JPY 0.58

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19744	41300	**82.40**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18830	39388	**78.58**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	72.11
ZCE Cotton: Yuan/MT (Sept 2017)	15,585
ZCE Cotton: USD Cents/lb	**92.02**
Cotlook A Index – Physical	**84.05**

Cotton guide: Cotton market is completely uncertain in last few weeks amid expectation of crop loss in the US with recent natural devastation.

The movement of hurricane Harvey earlier in late August and currently in September Irma has caused severe damage to cotton crop in the US. Although there is no official confirmation on exact crop loss however market talks the US production could certainly be below 20 million bales. Anything between 18 to 20 million bales could bring in stability in the market however below 18 may keep cotton market precarious amid higher demand in form of local consumption and good exports.

The recent price action has been more interesting. We saw cotton December making a high of 75.50 cents in later part of last week while the same has corrected sharply down on this Monday to trade near 71.60 cents per pound. The major reason for price decline is the

concern of Irma has been eased.
There has been good sell off in price amid higher trading participation. Also as indicated in our previous report 76 area continued to remain a strong resistance level in the market.

This morning Cotton is trading at 71.50 almost steady from previous close and believe market may remain sideways to lower. From the price chart perspective we see 71 as immediate support level while break of the same pullback in cotton price could be witnessed to again below 70 zone.

USDA Report: Further we have the USDA report for the month of September. This will entail supply and demand report in a broader spectrum. Recall the last USDA report on 10th August where December was down by around 300 points to around 6682 cents.

From domestic front spot is trading steady with arrivals being less than 3000 bales a day. The futures have moved with effect from both spot and ICE future markets. The October future is closed at 19250 marginally higher from previous close while made an intraday low of 18840 per bale. We believe market to remain sideways while selling on rise is recommended. The trading range for the day would be Rs. 19370 to Rs. 19K per bale.

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

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INTERNATIONAL NEWS

Chinese firm to set up textile factory in Rwanda

Rwanda Development Board (RDB) has signed a memorandum of understanding (MoU) with Huajian Group, a Chinese business and investment company specialising in shoe manufacturing.

Huajian Group is owned by Zhang Huarong and it mainly specialises in production of high- and middle-end women's shoes with three production bases, including one in Ethiopia.

Yesterday's agreement is part of the company's expansion plans in East Africa.

"Zhang Huarong has invested in Ethiopia and now produce shoes worth over $30 million. His success has shown him that Africa is a place where you can make high quality exports for products consumed by markets like in the US," said Clare Akamanzi, the RDB chief executive.

"He has done his homework and has seen that Rwanda is one of the most attractive places to do business, and he wants his next factory to be in Rwanda serving as centre for East Africa."

The agreement will see the company establish a factory that will be producing shoes, clothes, bags as well as electronic equipment.

According to Zhang, his company's plan is to invest over $1 billion for the next 10 years and create over 20,000 jobs.

"For the past three days, I have developed a feeling that Rwanda is much like any European country because there's high efficient government with proper management," he said.

Zhang expressed confidence about his future investment in Rwanda as he believes the country's development strategy is quite similar to China's.

"Rwanda's development strategy is similar to China's strategy in producing high end products and increasing exports. Politics is steady, the leadership of this Government is efficient," he said.

Zhang is interested in investing in electronics and IT development, creating jobs and boosting Made-in-Rwanda exports. He also plans to produce cell phones, air conditioners and computers.

He said he was inspired to invest in Africa by the likes of Li Yong, the director-general of the United Nations Industrial Development Organisation (UNIDO), and Justin Yifu Lin, the former World Bank chief economist and senior vice-president for development economics, both of whom are Chinese.

According to RDB officials, the Government has already availed land at the Kigali Special Economic Zone and they believe Zhang's investment will contribute to export diversification, which is in line with the country's vision.

"We are confident that Zhang's commitment to invest in Rwanda will diversify and improve exports of finished products," Akamanzi said.

Factory to be up in April

In April, Zhang said, they expect to have put up the manufacturing plant, and that they plan to train about 200 Rwandans before the end of the year. He highlighted plans to invest and build five light industrial parks in the developing countries of Africa in the next 10 years, producing and processing clothing, shoes and hats, bags and suitcases, electronics and other light industrial products, and will in the process provide 100,000 job opportunities.

Huajian Group joins a list of other Chinese companies in textile sector operating in the country one of which is C&H Garments Factory, which is one of the country's fastest growing textiles firms currently making police uniforms, safety vests, and most recently military kit.

In the last six years (2011-16), Rwanda has witnessed an unprecedented number of Chinese investments especially in the areas of tourism, ICT, construction, agriculture, manufacturing and infrastructural development. The total estimated amount of Chinese investments registered in Rwanda is equivalent to $103 million, according to RDB. The total jobs registered from these investments is 5,425.

Source: newtimes.co.rw- Sep 11, 2017

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Pakistan: PRGMEA calls for textiles policy revision

Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Central Chairman Ijaz Khokhar said the formulation of sector wise policies is the only remedial solution to avoid decline and stabilise textiles exports, the *Profit* reports.

"We are pressing the government to review its textiles policy to enable the textiles sector to attain the targets," said PRGMEA Chairman, talking to APP last week. He also added that the government should take steps for the removal of hurdles hindering exports of textile sector. "We understand that formulation of sector wise policies is the only remedial solution to avoid decline and to stabilise the exports," he reiterated.

Ijaz said that due to non-availability of the latest fabric, locally, the garment sector currently has a limited product line for the export market, adding that foreign buyers were demanding new garments on G3, G4 and technical fabric raw material which is not available and is not produced by Pakistani weavers.

He said more than 30% cash flow was blocked since long in the shape of sales tax refund and custom rebates which was adversely damaging cash liquidity.

"Our value-added products are unable to fetch high value due to poor packaging and under the circumstances, there is need of setting up a product and packaging centre for ensuring better packaging," he said.

He said that at present there are 125 exporters of martial art apparel in Sialkot and the city was earning up to US$ 400 million. He added that efforts were underway for bringing a big boost in the exports up to US$ 1 billion by 2020.

However, the PRGMEA chairman said, R&D was weak due to the high cost of utility and allied factors, and under the circumstances, the government should announce special R&D support fund for innovation and upgrade of workplaces.

Source: innovationintextiles.com- Sep 11, 2017

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Trade turnover between Ukraine, France grows by over 15% in six months

In January-June 2017, the trade turnover between Ukraine and France grew by 15.2% and exceeded USD 1.1 billion.

This was stated during the meeting of Ukrainian Prime Minister Volodymyr Groysman with the delegation of the French Senate, the Government portal reports.

"The level of economic cooperation is rather high. We can speak about the gradual creation of a favorable investment climate in Ukraine. We are grateful to the French business for their attention to Ukraine," Groysman said during the meeting.

Upon the first half of 2017, the total trade turnover between Ukraine and France grew by 15.2% and reached USD 1125.1 million. The main items of Ukrainian exports to France are animal and vegetable fats and oils, oleaginous seeds and fruits, residues and waste from the food industry, clothing and textiles.

The main items of French imports to Ukraine are mineral fuels, chemical products, means of land transport (except for railways), pharmaceuticals, nuclear reactors, boilers and vehicles.

France ranks eighth in terms of direct foreign investments attracted to the economy of Ukraine with an index of USD 1334.1 million.

Source: ukrinform.net- Sep 09, 2017

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China: Mexican SMEs to benefit from govt agreement with Alibaba

China's Alibaba Group and the Mexican Government recently signed an agreement to bring the company's e-commerce, digital payments and logistics expertise to small- and mid-sized enterprises (SMEs) in the Latin American nation. This will allow the firms to learn Alibaba's best practices in operations and expand into international markets, notably China.

Alibaba Group president Mike Evans and undersecretary of industry and commerce of the Mexican ministry of economy José Rogelio Garza signed the agreement on September 6 in Hangzhou, according to a press release from the company.

Company executive chairman Jack Ma and Mexican President Enrique Peña Nieto were present at signing ceremony.

Alibaba will create a special program for Mexico, share best practices in the operation of its logistics and payment platforms provide, and offer analytics training for consumer insight and product innovation.

The goal of such agreements, according to the company, is to provide SMEs in developing countries with the skills necessary to benefit from cross-border trade. This is the third agreement that Alibaba signed with a Latin American nation after Argentina and Brazil.

China is Mexico's second-largest trading partner and Mexico is China's second-largest trading partner in the Americas. Mexican agricultural products, packaged food and tourism packages are sold on Alibaba's e-commerce platforms.

Source: fibre2fashion.com- Sep 11, 2017

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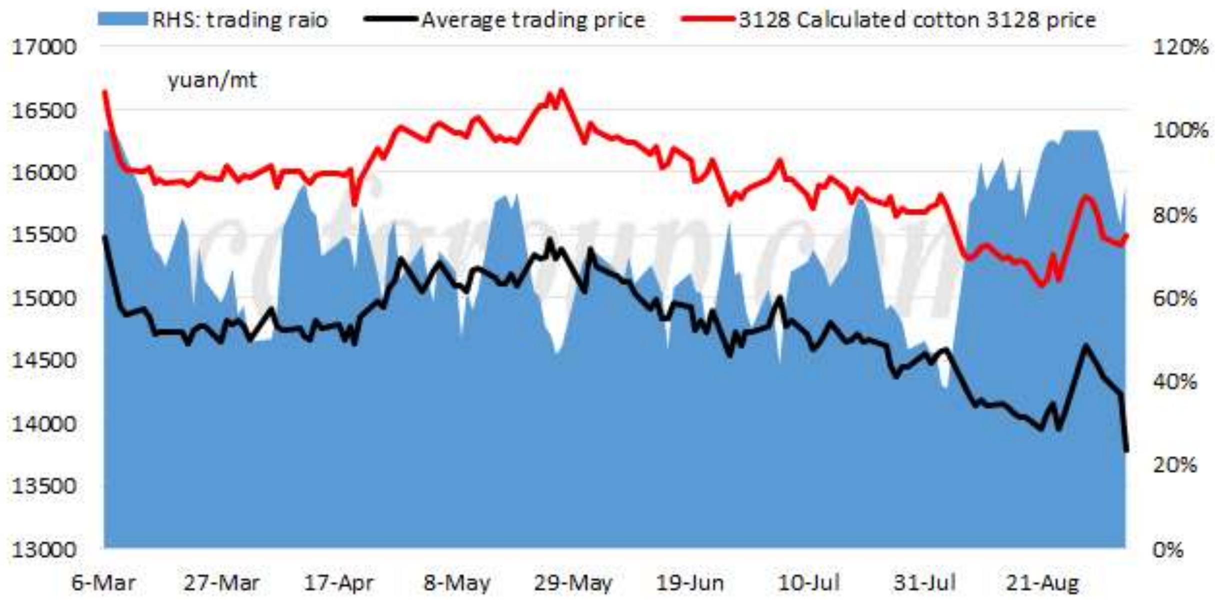
China: Cotton yarn price unlikely to hike in September

To meet cotton textile companies' demand for cotton and regulate the trading order of state cotton auction, the China National Cotton Exchange and China National Cotton Reserves Corporation announces several matters during Sep 4-29 as follows on Sep 3: During the transactions of reserved cotton during Sep 4-29, only cotton textile companies are allowed to take part in the auction, and non-cotton textile companies are not allowed. Affected by this news, price of cotton and cotton yarn futures hiked. What effect will it have on cotton yarn market trend? What attitude do textile mills hold toward surging cotton and cotton yarn futures?

1. Most textile mills expected cotton price to decline, while actual situation was contrary

Most textile mills expected average trading price of reserved cotton to decline after traders were forbidden to participate in cotton auction, and expected spot cotton price to decline. However, transactions of reserved cotton were moderate and price was firm.

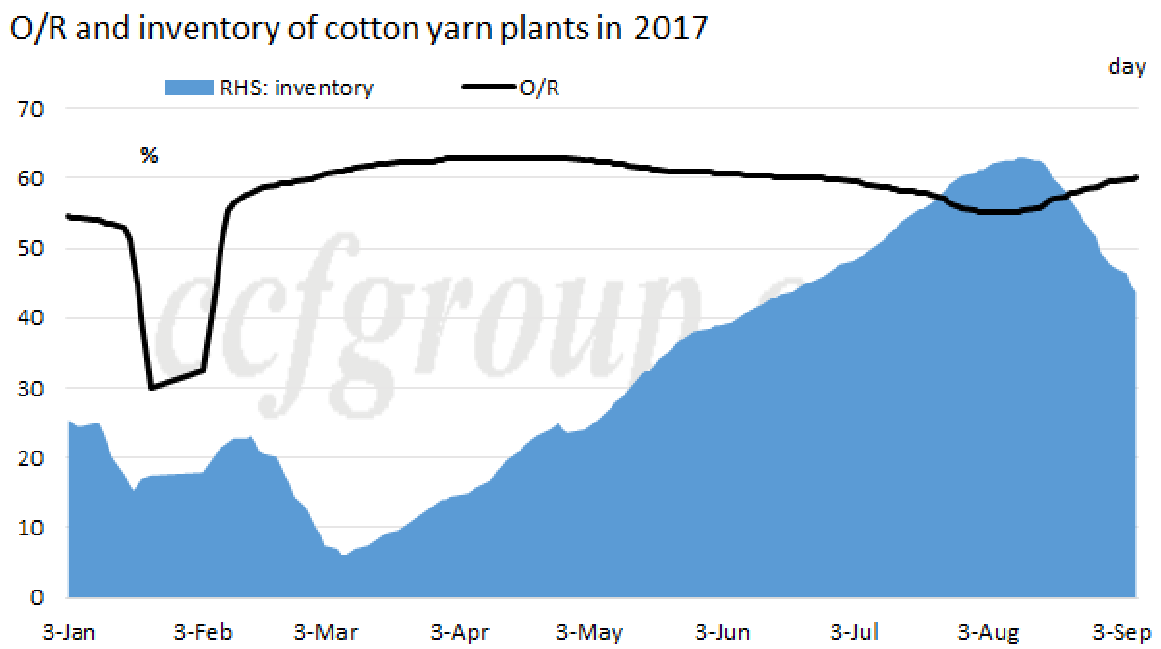
Transactions of reserved cotton in 2017



Trading ratio of reserved cotton kept high at around 80% even after traders were forbidden to buy reserved cotton, and trading price of reserved cotton declined, but calculated 3128 price did not dip much, which meant the bearish influence after traders were forbidden to buy reserved cotton was limited.

Actually, spot cotton price increase was driven by futures market and rising cotton futures market was mainly attributed to the following two reasons: on one hand, market players anticipated supply of reserved cotton to be scarce after traders were not allowed to buy reserved cotton, so cotton supply will be not as ample as earlier anticipated after cotton auction ended; on the other hand, many cotton traders went short on cotton futures market, and closed out futures after cotton futures climbed up. New cotton price was around 6.5-7.3yuan/kg, slanting high.

2. With better trading, many cotton yarn plants revised up price



Sales of cotton yarn turned faster impacted by rising feedstock market and increasing cotton yarn futures. Stocks of cotton yarn started falling since mid-Aug but slowed down in end-Aug and turned apparently faster driven by feedstock market last week. Operating rate of cotton yarn plants also ascended when spinners that shut down temporarily earlier on intensified environmental protection pressure gradually restarted production and some spinners ramped up run rate on better market atmosphere. But overall cotton yarn market was divided. Sales of cotton yarn for weaving were better than those for knitting. Stocks of cotton yarn for weaving remained low, and supply was tight in some plants, but inventory of combed cotton yarn for knitting reduced slowly.

Trading price of cotton yarn also increased impacted by futures market and feedstock market. Most large plants have raised offers by 200-500yuan/mt, and small and medium-sized plants gradually revised up price too. Most cotton yarn plants showed stronger intention to adjust up price and some plants removed earlier discounts. However, downstream buyers showed weak acceptance in price uplift on feedstock market.

On one hand, many printing and dyeing plants were forced to scale down or suspend production temporarily on environmental protection pressure, which prohibited demand for cotton grey fabric; on the hand, dyeing fees moved up on environmental protection pressure, but price of cotton grey fabric was hard to increase. Although some cotton grey fabric plants revised up price, the increment was not enough to cover increase on dyeing fees. Thus, most cotton grey fabric plants saw narrower profit.

3. Cotton yarn price to be firm in short run, and overall situation may improve in traditional peak season Sep

Price of cotton yarn is supposed to be strong in short run impacted by cotton and futures market. Price of cotton is expected to decline later after new cotton successively appeared around mid-Sep but cotton price may rise at the beginning of new cotton season on sound sales. Purchasing price of new cotton will directly affect cotton yarn price.

Cost of cotton yarn based on purchasing price of new seed cotton		
Purchasing price of seed cotton in Xinjiang (yuan/kg)	Calculated cotton cost (yuan/mt)	Calculated cost for cotton yarn 32S (yuan/mt)
6.5	14,550	22,146
6.8	15,300	22,956
7	15,800	23,496
7.2	16,300	24,036
7.5	17,050	24,846

Cotton yarn plants that produce carded 32S are around cost line when purchasing price for seed cotton at 6.8yuan/kg. If seed cotton price is above 6.8yuan/kg, cotton yarn plants are expected to under losses.

It is known that purchasing price for quality seed cotton is above 7yuan/kg, so new cotton price supports cotton yarn price to certain extent. Demand for cotton yarn has turned better now, and price of cotton yarn is expected to be stable to firm in short run.

4. Conclusion

Sales of cotton yarn have turned better impacted by surging cotton and cotton yarn futures last week, and price of cotton yarn also climbs up. Price of cotton yarn is expected to be firm in short run and may be stable to firm throughout Sep supported by rigid demand and new cotton price.

Downstream demand has improved but is still worse than anticipated. Many downstream plants under environmental protection pressure have gradually resumed production. But cotton yarn price is still hard to hike.

Source: ccfgroup.com- Sep 11, 2017

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Bangladesh ahead of China in apparel exports to EU

In 2016, EU's apparel imports from Bangladesh rose in volume for the ninth consecutive year. Bangladesh's share of EU apparel imports from all sources has grown over a nine-year period from 12.2 per cent to 23.4 per cent.

China, by contrast, saw a dip in share in 2016. China's share of EU apparel imports fell in volume terms for the sixth consecutive year.

In 2010 over half of the volume of EU apparel imports came from China but by 2016 barely a third -- reflecting a sustained trend by EU buyers towards sourcing from alternative locations.

In an attempt to hold on to their market share, Chinese exporters are cutting prices. In 2016 alone, the average price of EU apparel imports from China fell by a sharp 8.2 per cent.

However a strategy of holding on to market share by cutting prices is unsustainable for a country in which labor costs are rising significantly and shortages of labor are a growing problem.

In 2016 Bangladesh was the second cheapest supplier of apparel to the EU. Further, it was the cheapest supplier among the leading 10 suppliers in 12 individual apparel categories.

Source: fashionatingworld.com- Sep 11, 2017

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Healthcare fabrics market to reach $12.90 billion

The healthcare fabrics market, which is estimated at US$ 9.48 billion in 2017, is projected to reach US$ 12.90 billion by 2022, at a CAGR of 6.4% between 2017 and 2022, according to the latest report published by *Markets and Markets.*

Rising consumer awareness regarding hygiene products along with the improved quality of healthcare fabrics is expected to drive the growth of the healthcare fabrics market during the forecast period, says the report.

Growth segments

Among raw materials, the polyester segment of the healthcare fabrics market is projected to grow at the highest CAGR during the forecast period, 2017 to 2022. This high-growth of the polyester segment can be attributed to its high performance at lower cost, as fabrics made of polyester are strong and have high tensile strength. They are highly durable, chemical resistant, wrinkle-resistant, abrasion-resistant, and offer structural stability. Thus, the demand for polyester is expected increase during the forecast period.

Amongst fabric type, the nonwoven segment of the healthcare fabrics market is projected to grow at the highest CAGR. Nonwoven fabrics are used in various hygiene products ranging from baby diapers, to adult incontinence products. They are used as an alternative to traditional textiles due to their absorption properties, softness, smoothness, strength, comfort and fit, stretchability, and cost effectiveness. These have various advantages over woven and knitted fabrics and hence this segment is expected to grow at the highest rate during the forecast period.

Asia Pacific market

The demand for healthcare fabrics in hygiene products is mainly driven by the increase in consumption of sanitary napkins and baby diapers in the emerging countries of the Asia Pacific. Moreover, rising awareness and growing disposable incomes coupled with the rising numbers in the new born and menstruating population is expected to fuel the growth of the healthcare fabrics market in hygiene products.

The Asia Pacific healthcare fabrics market is expected to grow at the highest CAGR during the forecast period. The increase in disposable incomes of middle-class populations in the Asia Pacific region makes it an attractive market for manufacturers of healthcare fabrics. The demand for healthcare fabrics is high in the region owing to improving standards of living, increased focus towards the use of personal hygiene products and growing populations.

Market players

Currently, the healthcare fabrics market is led by various market players, such as Designtex (US), Maharam Fabrics Corporation (US), Knoll, Inc. (US), Brentani Inc. (US), Arc-Com (US), Kimberly-Clark Corporation (US), Paramount Tech Fab Industries (India), Advanced Fabrics (SAAF) (Saudi Arabia), Avgol Industries 1953 Ltd. (Israel), and Architex International (US), among others.

Source: innovationintextiles.com - Sep 10, 2017

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NATIONAL NEWS

Textile body advises mills to curb production for 30-60 days

The disparity between cotton and yarn prices has put the spinning sector in a tight spot, especially due to the steep decline in the price of yarn compared with the fibre cost.

To tide over the situation, the Indian Texpreneurs Federation has advised its members to cut yarn production by 35 per cent for a period of 30 to 60 days.

Go-slow tactics

“Reduced yarn supply will help match the demand. But if yarn supply needs to be curtailed, mills will have to go slow in consumption of cotton and this, in turn, will help bring down the cost of the fibre as well. This tactic will help the mill sector reduce loss, besides bringing about a balance in cotton and yarn prices,” said Prabhu Dhamodharan, Secretary, Indian Texpreneurs Federation. By the Federation’s assessment, a number of standalone spinning units are cash-starved, considering that many varieties of yarn are now selling at levels well below the manufacturing cost.

“If we curtail yarn production for two months, yarn supply will drop,” Dhamodharan said.

The spinning sector has to do this as in the textile manufacturing chain, all others such as weaving, processing, apparels and home textiles optimise their utilisation levels based on demand, supply and order trends, he added.

Irrespective of market conditions, the spinning sector operates 24x7x365. It should, like the cement or steel industry, optimise its production levels based on market intelligence and minimise the impact on its financials during a period of demand downturn, Dhamodharan said.

When asked if such a decision would not impact the workforce, he said the mills could retain the workforce, redeploy them in maintenance work, and impart training on new methodologies to improve productivity.

Long-term formula

According to the ITF secretary, mills have to formulate a sustainable and long-term formula, instead of resorting to interventions every now and then.

"Changing times need new thinking and alteration in business models to sustain in business. Standalone spinning units can move up the value chain by making value-added products , instead of making only yarn. For the present though, it would be advisable to curtail yarn production and minimise the loss," he added.

Source: thehindubusinessline.com- Sept 11, 2017

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Cotton plucking gets easier and cheaper

Manual plucking of kapas (raw cotton) could soon become a thing of the past if cotton farmers take to the newly developed hand-held machines that run on batteries.

The device has been developed by SIMA-CD & RA (The Southern India Mills Association - Cotton Development and Research Association), in association with Point Industries, a sister concern of the Coimbatore-based Sharp Industries.

SIMA-CD & RA sources said that this indigenously developed machine, priced at ₹9,500 (inclusive of taxes), would pluck only mature bolls without trash and contamination. Reports show that the trash content is less than one per cent against the normal average of 2 to 3 per cent.

The farm varsity has tested and certfied the SIMA kapas plucker.

B Lakshminarayana, Chairman, SIMA CD & RA, said that the machine would enable a farmer pick 60 to 80 kg of kapas a day against manual picking of 12 to 20 kg/day. Coming as it does at a time when the picking season is round the corner, notwithstanding the paucity of farm workers and high labour cost, this machine is expected to be a boon for the cotton farmer.

SIMA sources said that manual picking cost alone would account for one-third of the total cost of cultivation for the farmer. By using this plucker, the farmer would be able to bring down the labour cost by 20 per cent.

K Selvaraju, Secretary General, SIMA, said that the association has been persistently persuading the Ministry of Textiles, especially the Cotton Corporation of India, to extend support for the machine. Thanks to the efforts, the Union Textile Minister, Smriti Irani, directed CCI to place an order for 300 machines – 100 each for its branches at Akola, Ahmedabad and Warrangal.

“We have supplied and trained the farmers. The trials have proved successful. CCI is planning to place an order for 500 machines this year. Meanwhile, a demonstration is on for the farmers in Telangana today,” he added.

Offer by TN government

The TN Government is said to be offering this machine at ₹8,500, with a 50 per cent subsidy to help farmers buy the equipment and strengthen the area under cotton cultivation.

Selvaraju said SIMA has invested around ₹2 crore on plant and machinery. “Sharp Industries makes the machine on our behalf,” he added.

To a query on requirement, he said “close to 20-million farmers are involved in cotton cultivation directly. This would go a long way in saving labour cost for the farmer, besides ensuring clean cotton as well. The agriculture ministry has various schemes, but we have not been able to persuade them to support this development.”

Source: thehindubusinessline.com- Sept 11, 2017

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India seeks more Chinese investments

In a bid to reduce the huge bilateral trade deficit with China, which, in the last fiscal, was a whopping $51 billion, the Centre has now sought greater investments from Chinese firms including in India's export-focused Special Economic Zones (SEZ).

In a meeting with his Chinese counterpart Zhong Shan on Saturday the sidelines of the ongoing ASEAN Economic Ministers Meeting (and related meetings) in Manila, Indian commerce minister Suresh Prabhu called for greater Chinese investments in India and "offered facilitating measures including in SEZs".

Mr. Prabhu's immediate predecessor Nirmala Sitharaman had informed Rajya Sabha in July 2014 that "trade deficit can be reduced to sustainable levels through more exports from India to China, as well as by China's investing in building manufacturing capacities in India."

The aim, official sources said, was to then increase shipments from such manufacturing facilities in India to China by catering to specific demand in that country.

However, Foreign Direct Investment (FDI) from China in India between April 2000 and June 2017 was worth only $1.67 billion — or a minuscule 0.49% of the total FDI inflows of $342 billion during that period.

The meeting between Mr. Prabhu and Mr. Zhong Shan follows an official statement on August 28 on a bilateral agreement regarding an "expeditious disengagement of border personnel at the face-off site at Doklam." The Hindu had reported on August 24 that China had agreed to send a high-level official team led by Mr. Zhong Shan by December-end to New Delhi to address the issue of trade imbalance with India.

Economic group meeting

Mr. Prabhu and Mr. Zhong Shan have agreed on holding a (bilateral) Joint Economic Group (JEG) Meeting soon. Instructions have been given to the concerned officials of both the countries to do the ground work prior to the JEG meeting, Mr. Prabhu said in a tweet. In this regard, both ministers "agreed to set up product/sector specific Joint Working Groups to promote exports and bilateral trade."

In September 2014, during the India visit of Chinese President Xi Jinping, the Joint Statement had stated that the Chinese side announced the establishment of two industrial parks in India, one in Gujarat and another in Maharashtra. According to that statement,

"The Chinese side would also endeavour to realise an investment of $20 billion in India in the next five years in various industrial and infrastructure development projects. India welcomes Chinese enterprises to participate in its manufacturing and infrastructure projects."

The Centre had informed Rajya Sabha in November 2016 that to invite Chinese investment in India, an MoU was inked between India and China in June 2014 on 'Cooperation on Industrial Parks in India' with a view to provide a platform for cluster-type development of the enterprises of both countries.

MoUs signed

In this regard, subsequently, MoUs were signed by Indian State Government Agencies and Chinese investors. These include the MoU between Maharashtra government and BeiqiFoton Motors, China for Auto Industrial Park in Pune, the MoU between Industrial Extension Bureau (iNDEXTb), Gujarat government and China Development Bank Corporation for supporting the setting up of Industrial Parks in Gujarat, as well as the MoU between iNDEXTb and China Small and Medium Enterprises (Chengdu) Investment

Besides, there is an MoU between HSIIDC (Haryana Government) and Dalian Wanda Group to develop an integrated Entertainment Park-cum-Industrial township in Haryana as well as an MoU between HSIIDC and China Fortune Land Development to set up an Industrial Park in Haryana.The Indian government's investment promotion and facilitation wing 'Invest India' is also facilitating Chinese investments in India, the Centre said.

Source: thehindu.com- Sept 10, 2017

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Technical textile emerges strong in India

Technical textiles are the new buzz in Indian textile industry and among emerging and inventive industries in India.

Technical textiles offer several advantages in their functional aspects for improving health and safety, cost effectiveness, and durability and strength of textile material.

In India, this sector is in its nascent stages while globally it's a multi-million dollar industry. A large number of technical textile products are consumed by different industries like automotive, healthcare, infrastructure, oil and petroleum, among others.

Indian companies have started producing technical textiles for the international market. Though at a nascent stage, technical textile production in India with the right investment and exposure will definitely compete with international production.

The technical textile industry also has about nine per cent of the world's total consumption manufactured in India. Indian companies have been introducing several new developments in textile technology.

Indian companies are developing products using meta aramid, a textile produced in India which is made from a blend of materials which are environment friendly, lightweight and perform better than asbestos.

These meta aramid products can replace the carcinogenic asbestos in the Indian industry which was claiming the lives of people using them.

Source: fashionatingworld.com - Sep 11, 2017

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India, China to set up working groups to promote exports

India and China have agreed to set up industry specific working groups to increase exports with a view to bridge trade deficit with Beijing, commerce minister Suresh Prabhu said on Saturday.

“Concerned about growing trade deficit with China, we agreed to set up industry specific working groups, to promote more exports from India,” Prabhu said in a tweet.

He is in Manila, the Philippines, to attend the fifth East Asia Summit (EAS) economic ministers’ meeting. At the sidelines of EAS meet, the minister met his Chinese counterpart Zhong Shan to discuss ways to promote bilateral trade between the countries.

Prabhu, who recently took charge of the ministry, also met Japanese minister of economy, trade and industry Hiroshige Seko and South Korean trade minister Hyun Chong Kim.

The minister would also participate in the trade ministers’ meeting of 16 Regional Comprehensive Economic Partnership (RCEP) member countries. RCEP is a mega trade pact among 16 countries which aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

India’s trade deficit with China narrowed marginally to $51.08 billion in 2016-17 from $52.69 billion in 2015- 16. India wants greater market access in China for its goods and services like IT and pharma products. The country has also insisted upon China to increase investments.

Source: livemint.com - Sep 10, 2017

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GST to affect handloom prices

GST is expected to increase prices of handloom products by 7.7 per cent. One reason is weight of products in the clothing consumption basket are different due to fiber, make, quality etc. So, a shift of consumers away from handloom products is expected.

GST is not revenue-neutral for handloom products. It will change the structure of production and market relations. The rise in cost of handloom products will make them less competitive in retail markets.

GST will increase prices of cotton textiles over synthetics. As a result, blending of synthetic fibers with cotton fibers will gain traction. There is likely to be a huge impact of GST on the fiber mix in the Indian textile industry.

GST is likely to depress natural fiber production and increase man-made fiber production. Organic cotton and organic fiber production supply chains would be stressed. There is no clarity on the classification of handloom products as on date under GST.

GST will impact business strategies of investors, master weavers, cooperatives, retailers and suppliers.

Handloom market places, including exhibitions, will have to make necessary changes to handle the new requirements emerging due to GST.

The handloom sector is the second largest rural employment provider next to agriculture.

Source: fashionatingworld.com - Sep 11, 2017

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Gujarat extends its textile policy by one year; AEPC hails move

The Apparel Export Promotion Council (AEPC), the apex body for apparel exporters in India, welcomes the extension of Gujarat's textile policy, which was set to expire on September 2017, will now remain in force till September 2018.

AEPC has welcomed the announcement of Gujarat government to extend its textile policy by one year, informed council in a press statement in New Delhi on Sunday.

The policy was set to expire on September 4, 2017 that will now remain in force till September 3, 2018.

As part of its consultations for the new textile policy for Gujarat, AEPC had asked for the availability of plug and play Infrastructure for apparel manufacturing in the form of readymade sheds for apparel factories in select locations either on long-term lease or rental basis.

The Council has also asked for incentives in the form of infrastructure and project cost assistance for setting up mega Apparel Park in the state and exemption of stamp duty for the developer of park and enterprises on purchase of land.

Commenting on the initiative, Ashok G Rajani, Chairman Apparel Export Promotion Council said, "We welcome the announcement of Gujarat government to extend its textile policy by a year. The textile policy of the state has been formulated with an objective to realize honorable prime minister's vision of "Farm to Fibre to Fabric to Fashion to Foreign" (5 Fs)".

To help Gujarat in realization of this objective, AEPC has already submitted a set of recommendations for implementation, to the state government. "We are hopeful that the state government will consider the all-encompassing draft recommendations of the council and include the same in the form of an apparel package/policy to make state an attractive destination for investments in garments and textile sector," he added.

In its recommendations, the council has also asked for interest subsidy to apparel units that have availed benefits under the TUFS with MSME units having the option to choose availing of the assistance of capital investment subsidy or assistance for interest subsidy as per the state scheme of assistance to MSMEs.

On the issue of power tariff, the council has made a request for power tariff subsidy to those enterprises which operates at an average 75 percent capacity in the trailing 12 months. It has also asked Gujarat government to provide assistance for construction of dormitories as per the industry requirements in select locations.

Concurrent with Government of India's vision of Skill India, the council has also requested for providing wage assistance for new employment and assistance for setting up training institutions for skill development. It has asked for support to centers running ISDS, PMKVY, DDUGKY and other skill development schemes.

AEPC is the official body of apparel exporters in India that provides invaluable assistance to Indian exporters as well as importers/ international buyers who choose India as their preferred sourcing destination for garments.

Source: smetimes.in - Sep 10, 2017

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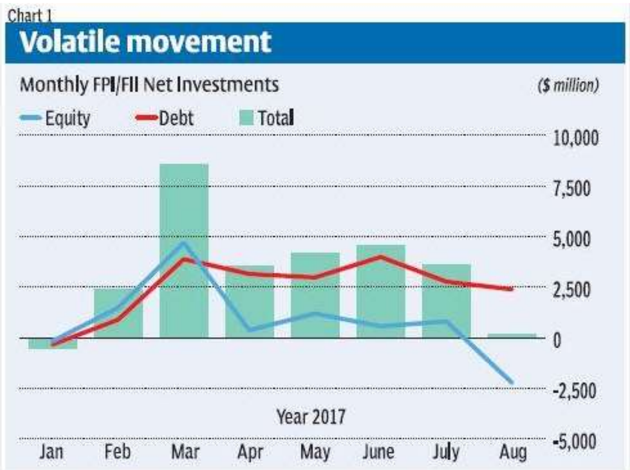
What's wrong with the foreign investor appetite?



The sharp rise in foreign investment inflows into India in recent months, which has strengthened the rupee, has diverted attention from two disturbing features of the inflow: its composition and its volatility.

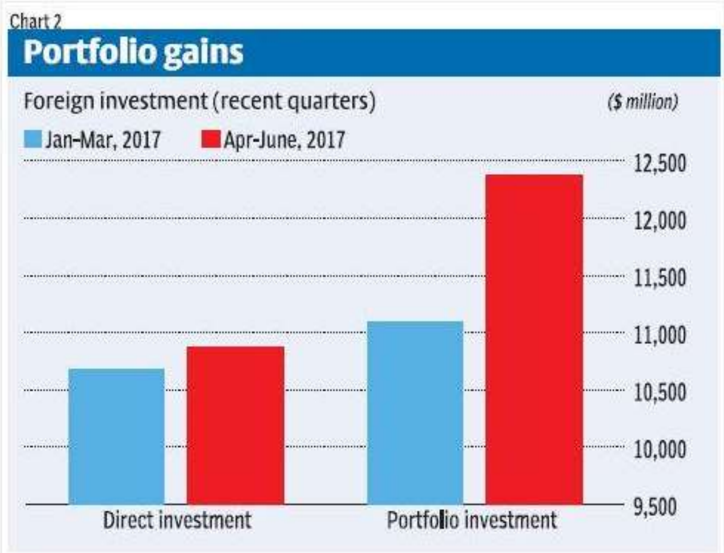
The issue of volatility was underlined when inflows of foreign institutional investment rose from a negative $512 million in January 2017 to $8.6 billion in March this year, only to fall and fluctuate between $3.5 and $4.5 billion, before collapsing once more to $158 million in August (Chart 1).

However, these changes have not given cause for concern because debt flows in recent times have been large and more stable. As a result, on average, inflows into India are more than needed to finance the current account deficit kept under control because of low commodity, especially oil, prices.

Signs that matter

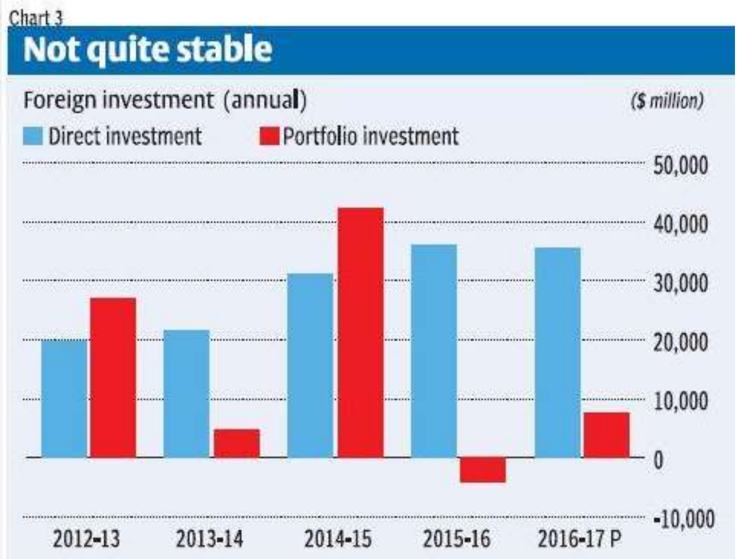
Though projected to rise in this financial year because of a rise in the trade deficit, the current account deficit stood at a comfortable 0.7 per cent of GDP in 2016-17. As a result foreign exchange reserves are still high and rising.

So for those upbeat about the performance of India's debt and equity markets the August performance is only a blip. Not without reason. As Chart 2 shows, the average level of portfolio flows into equity and debt markets has risen over the two quarters ending April-June 2017.



With direct investment flows stable, aggregate foreign investment flows have also risen. But a longer term picture (Chart 3) does suggest that while direct investment has been on the rise, portfolio investment flows have been extremely volatile.

In fact, what has been noteworthy in recent times is the appetite for bonds, especially government, but also corporate bonds. In the case of sovereign bonds the reasons are obvious — they are secure, offer high returns by international standards and investors believe that the rupee would hold and not depreciate fast, eroding returns in foreign exchange terms. If these conditions continue to hold they are an attractive target.



In addition, investor appetite has increased because of limited availability of bonds. The Reserve Bank of India sets ceilings on maximum foreign investments in the bond market. Ceilings are constantly breached in the case of government bonds, and are periodically raised.

It was only after demonetisation last year that investors pulled out of sovereign bonds, reducing investments to 70-80 per cent till May this year.
Since then investors have been pushing investments again to the maximum permissible level.

Corporate bonds, seen as risky, have in the past attracted less investor attention. But matters have been changing in recent months.
As quotas available for government bonds have been exhausted, portfolio investors have displayed an interest in corporate bonds. After a sharp rise in the volume of investment relative to the ceiling during 2014-15, that ratio settled in the 70-80 per cent range till May.

But since then investment in corporate bonds have also risen to touch the ceilings. On September 8, 2017, 99.58 per cent of the upper limit of central government securities of ₹187,700 crore and 99.68 per cent of the $51-billion limit on corporate bond purchases by FPIs had been exhausted.

A significant share of corporate bonds purchased are from public sector corporations, possibly influenced by the perception that there is implicit sovereign backing for such bonds.

Debt side story

These trends are of significance since, according to Bloomberg and Aberdeen Asset Management, foreigners own less than 8 per cent of corporate and government debt in India, as compared to 30 per cent in Indonesia and Malaysia.

That is, there is much room for further foreign investment penetration if the Government chooses to relax its ceilings. The fact that it does not only whets the appetite of investors. As of now India's central bank is being cautious, relaxing ceilings carefully, and more recently reserving as much as 75 per cent of the increase in limits for long term investors.

Earlier, 60 per cent of the increases in limit were reserved for these investors. The case for such caution is obvious. Interest rate differentials are an important reason for foreign investor interest, with investment being predicated on the belief (or bet) that the rupee would not depreciate.

In fact, as capital flows in, the rupee could strengthen, triggering exchange rate speculation and raising the possibility of a bust and collapse of the currency. So there are two reasons why the whole process can unwind.

First, the interest rate differential can narrow because of changes at the source, as happens when the US Federal Reserve changes its interest rate policy, precipitating a retreat of investors. Second, currency depreciation can encourage capital flight. So, the larger the accumulated stock of foreign investment, the greater would be the outflow and the resulting damage.

In the case of corporate debt this can have even more severe consequences, since that debt is in foreign currency. Rupee depreciation increases the rupee costs of debt service in the form of interest payments and amortisation, imposing heavy burdens on the firm concerned.

If this leads to default and enforced liquidation it could trigger asset price deflation as well, accelerating the downward slide and the exit of capital.

Check volatility

The implications of these factors are obvious. Increased activity in the bond market while sought after as a means to mobilise long-term finance can also be a source of volatility. This would be truer when the inflow is not driven largely by conditions in host country economies, but those in the source country, especially monetary policy in the latter.

The resulting supply-side push would mean that if the host country government does not impose binding constraints on the volume of inflows, continuous inflows result in the accumulation of large stocks of foreign investments, increasing vulnerability despite caution.

Seen in this light, while the RBI's caution is creditable, its tendency to succumb to pressures and revise ceilings periodically may not be appropriate.

Since India does not need much of these inflows to finance its trade deficit, the better policy may be to keep binding ceilings in place so that the volatility resulting from extraneous developments does not disrupt the domestic economy.

Source: thehindubusinessline.com- Sep 12, 2017

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