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IBTEX No. 114 of 2019 **June 14, 2019**

SD 69.55| EUR 78.38 | GBP 88.14 | JPY 0.64

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21866	45700	**83.71**
Domestic Futures Price (Ex. Warehouse Rajkot), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21500	44935	**82.31**

International Futures Price

NY ICE USD Cents/lb (July 2019)	66.83
ZCE Cotton: Yuan/MT (September 2019)	13,475
ZCE Cotton: USD Cents/lb	88.30
Cotlook A Index – Physical	**77.50**

Cotton Guide: The ICE cotton futures were still up yesterday but marginally. The reason attributed was again weather conditions and gains in competing crops. The Most active cotton future the ICE December contract emanated a gain of 0.55 cent or 0.90% at 66.43 cents/lb. the trading range was 65.47 to 66.75 cents/lb. There is some news coming with respect to planting delays with heavy rains being the major concern. The volumes have now shifted from ICE July to ICE December with the December contract showing volumes of 27,973 as compared to ICE July's volume of 21,891 contracts. The total volumes seen yesterday at ICE were 53,011 contracts.

The USDA reports emanated net sales of 75,100 running bales (2018/2019) which means a decline of almost 60% from the previous week and 72 percent from the prior four week average. For the second time the India was the lead export sales destination.

Country	Increases (Running bales)
India	30,400
Vietnam	25,200
Indonesia	9,800
Taiwan	2,900
Country	Reductions (Running bales)
China	5,600
Mexico	2,000
Table 1: US Upland Sales 2018/2019	

The net sales for 2019/2020 was seen at 43,000 running bales primarily for:

Country	Increases (Running bales)
Japan	11,700
Guatemala	11,700
Vietnam	8,500
China	4,400
Pakistan	3,500
Country	Reductions (Running bales)
Mexico	2,000
Table 2: US Upland Sales 2019/2020	

On the other hand export shipments were up by 17% at 360,400 RB.

Country	Increases (Running bales)
Vietnam	90,700
Turkey	55,200
India	53,200
China	42,500
Indonesia	22,500
Table 3 : Export Shipments	

The MCX contracts on the other hand were tilted towards the positive side with the MCX June contract settling at 21,500 Rs/Bale with a change of +50 Rs. The MCX July and MCX August contracts settled at 21,610 Rs/Bale and 21,630 Rs/Bale respectively with a change of +40 and +70 Rs. The MCX July and MCX August contracts are almost at par with each other. Total Volumes were decent.

The Cotlook Index A was adjusted positively at 77.50 cents/lb with a change of 1.00 cents/lb. The Cotlook Index A 2019/2020 was adjusted at 75.95 with a change of 0.75 cents/lb. The average prices of Shankar 6 are at 45,700 i.e. they are marginally rising up.

Indian spinners are seen to have booked good amount of imported cotton while they are now further looking to import more cotton as the prices are favorable for them at the moment. While speaking about Ginners, as the monsoons have now set in, the ginners are expected to sell the stocks which were held by them during summer. The Ginners usually await for the monsoon so that they could take the advantage of the weight gain (due to the moisture in the air) and get better realization on their bales.

While we speak about imports, there is a very important news coming in from China. The China Cotton Association recently requested a waiver form import tariffs on the US Uncombed cotton. They have submitted an application representing all its members to the Government. Lately, the Chinese Ministry of Finance had brought forth a list of goods which includes cotton (carded or combed) in the later part of May, which can qualify for waivers on tariffs that China imposed on US Goods. During the first half of the cotton marketing year China only imported 11% cotton as compared to 45% in the previous year.

Fundamentally, for today we feel that the markets will continue with a steady rise for the MCX contract coupled with the Domestic Spot prices, whereas the adverse weather conditions can push the ICE Prices slightly higher. On the other hand, the lesser export sales data can play with the sentiments of the international markets.

On the technical front, prices are trading in an upward sloping channel, with a range of 66-67.50, however a close below the channel would help the negative momentum also forming a bearish flag formation. Prices have taken support of 50% Fibonacci extension level (64.80), but are currently trading below the DEMA (5, 9) at (66.61, 66.94). However immediate support for the prices at 66 & the resistances would be 67.80 (upper range of channel). Momentum indicator Stochastics which works well in sideways markets is hovering near the oversold zone at 36 suggesting sideways to negative bias for the coming sessions. For the today's session we expect the prices to trade within a range of 66-67.50. In the Domestic market MCX Cotton June may trade in the range of 21000-21700.

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

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INTERNATIONAL NEWS

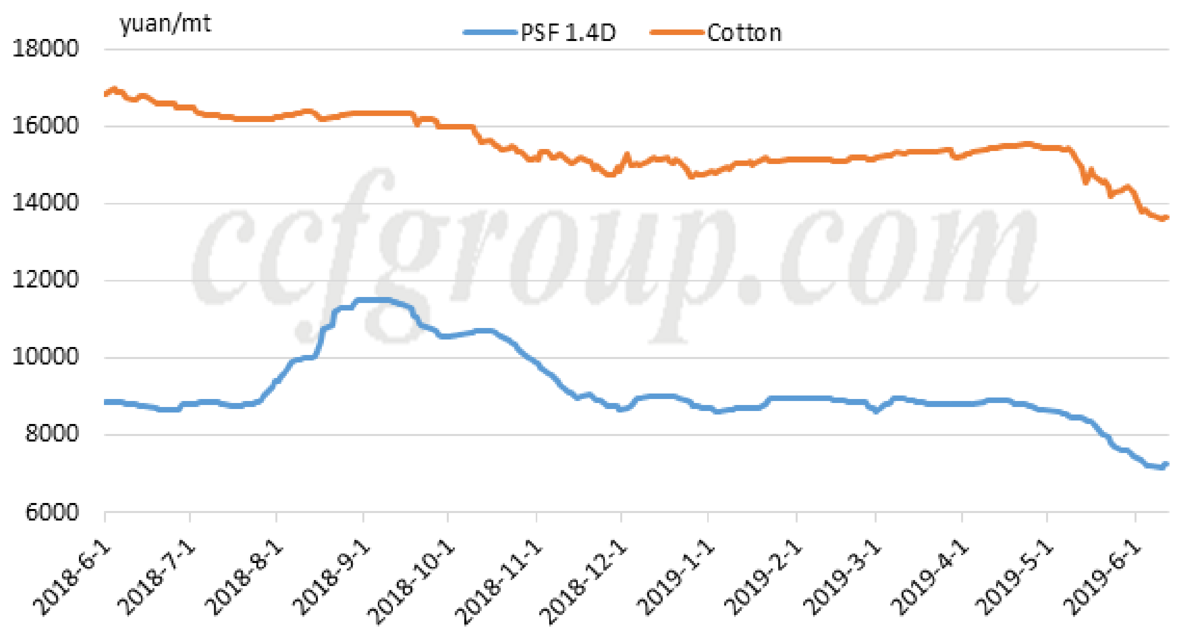
China: Polyester/cotton yarn in trouble on falling raw materials

Polyester/cotton yarn has been advantageous in yarn market since the second half of 2018. The sales were good favored by active export demand, and later it declined affected by China-US trade war but overall operation was healthy.

However, it turned harder to be sold due to soft end-user demand and the price slumped quickly after a period of stabilization. Meanwhile, the inventory in the mills climbed up obviously. According to downstream, polyester/cotton yarn sales stagnated apparently.

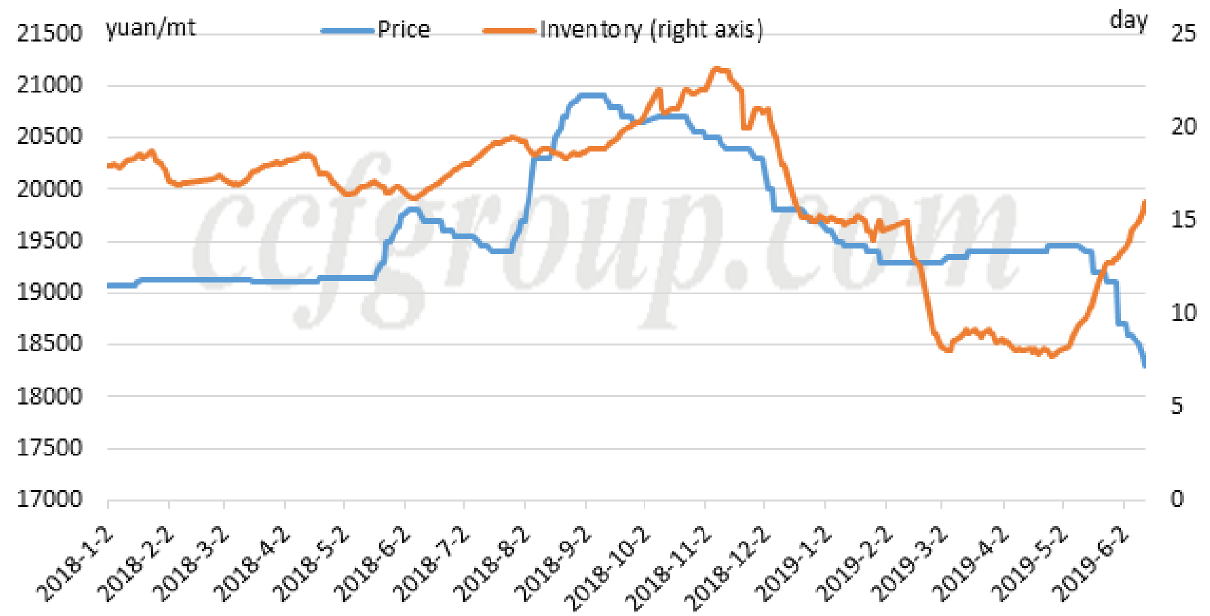
Firstly, the impacts from China-US trade war and adjustment of VAT rate. Export demand for polyester/cotton yarn keeps active in most of time and is mainly concentrated on Southeast Asia. Affected by China-US trade war, the demand improved obviously in 2018, but slid in 2019. The decline of VAT rate in Apr increased the cost of export, which also restrained the exports. Many mills were hesitant facing the new VAT rate and the operation seemed more difficult.

Cotton and PSF 1.4D price trend



Secondly, due to trade war, PSF and cotton both plunged in short time and market sentiment was hit seriously. The cotton price even experienced 400yuan/mt of decrease in one day and did not show sign of a stop. The sharp fall of raw materials weakens downstream demand, and most customers turn cautious and prefer to stand on the sidelines. Polyester/cotton yarn price is also forced down by lower cost.

Polyester/cotton yarn price and inventory



Thirdly, sales in domestic and overseas markets both stagnate. The inventory of polyester/cotton yarn mills stays high generally. High inventory pressure and scarce orders are reported by major producers like Shandong, Henan, Jiangxi and Fujian. Support for price disappears amid the slide of demand and surge of inventory and market players also hold negative expectation to later market.

As things stand, the high inventory will trigger sell-off on a large scale later. With ample supply, underselling appears in some regions and it will be more widespread later. The price of polyester/cotton yarn is still in downtrend and the decrease is enlarging. In Jun, traditional slack season has come and the soft demand is hard to improve in short run, thus polyester/cotton yarn price will retreat sharply. For the mills, it will be “a protracted war” on generally sluggish demand.

Source: ccfgroup.com- June 13, 2019

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Australian cotton prices start to lose their gloss

The shine looks set to come off Australian cotton prices in the coming 12 months as global pressures start to make themselves felt in the local market, according to a recently-released commodity outlook from Rabobank.

While international cotton prices are in the doldrums and facing 32-month lows, with a US-China trade deal currently off the table, local prices have largely enjoyed shelter from these global trade woes, with Australian basis (the premium for Australian cotton) sitting at an unseasonably high level.

However, in its 'Australian Cotton Price Forecast – The Start of Softer Cotton', Rabobank says a combination of swelling global supplies and a tepid demand outlook will see local prices decline from their mid-May highs.

Despite this softening though, these prices should continue to provide positive margins to domestic growers.

The report says there are a number of positives for Australian prices, including demand interest from the world's single-largest cotton importer China (as it seeks to secure non-US supply), weakness in the Australian dollar and current local drought conditions.

Report author, Rabobank cotton analyst Charles Clack said the good news surrounded the Australian basis (the difference between the cash and futures price), which currently sits at an unseasonably high 1500 points.

"Rabobank sees short-term basis remaining strong at 1200 points through Q3, but softening later this year ahead of the arrival of Brazil's predicted six million bale exportable new crop," he said.

The bank forecasts Australian ex-gin cotton cash prices at just over $600 a bale through Q3 2019, though this figure is predicted to fall in late 2019, predominantly driven by weakness in both cotton futures and basis "as weighty 2019/20 (global) supplies become available".

Longer term, prices are set to touch $576/bale by Q2 2020.

Mr Clack said this forecast came amidst a backdrop of slowing global cotton demand growth, an uncertain trade flow outlook and the incoming 2019/20 new crop.

China focus

Meanwhile, the latest United States Department of Agriculture cotton crop report released today points to lower world cotton consumption for 2019/20, mainly in China.

Imports in China are also down; global trade and Australia exports are both lower this month.

Total ending stocks are slightly higher.

For 2018/19, world production is forecast up slightly, mostly in India.

Trade is higher with greater demand in China and global stocks are also raised this month.

According to the USDA report, China's 2019 State Reserve sales were strong during May although the quantity weakened during the first week of June.

Sales started on May 6 with a target of selling 1.0 million tons (4.6 million bales) by September.

The State Reserve's total beginning volume is estimated at 2.7 million tons.

The mechanism for sales is similar to that used in the previous two years: about 10,000t in lots are listed daily, ranging between 50t and 400t.

The lots are auctioned with a reserve price based on the weekly average of foreign cotton (A-Index) and domestic prices adjusted for quality.

As of June 6, about 220,000t had been sold representing about 85 per cent of the total offered.

The majority was sold directly to spinners and the rest to traders with roughly half of the sales having been Xinjiang cotton.

The sales rate in May was over 90pc, but dropped sharply in the first week of June as the base price increased slightly.

The average premium above the base price has also been declining from 6-8pc in the first couple of weeks to less than 1.5pc last week.

It is expected that nearly all of the available cotton will be sold by the end of the sales period.

These anticipated sales are reflected in the current USDA forecasts for both China and world consumption and trade.

Source: graincentral.com- June 13, 2019

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Bangladesh: Devalue Taka to help garment exporters

Economists suggest, discourage cash incentives; 1pc additional incentive proposed in budget; BGMEA demands more

The government should support the garment exporters by devaluing taka against US dollar instead of giving them direct cash incentives, two economists said yesterday.

They made the observation after the government in the national budget for 2019-20 fiscal year proposed increasing the cash incentive on garment export by an additional one percent.

It also proposed introducing two percent cash incentive for remittance from abroad.

Currently, garment exporters receive a cash incentive of 4 percent for emerging markets. All the countries except for Canada, the EU members and the US are considered as emerging markets.

In the proposed budget, an additional Tk 2,825 crore has been allocated for paying cash incentives on garment export receipts. Some Tk 3,060 crore has been allocated for paying incentives on remittance receipts.

Ahsan H Mansur, executive director of Policy Research Institute, said it was not needed to raise the cash incentive against the export receipts as it could be compensated by devaluing the local currency against US dollar.

According to him, the devaluation of taka is long overdue.

“There is a room for devaluation of the local currency by another Tk 7, of which the exporters would get at least Tk 4 as they have to spend Tk 3 for import of raw materials,” Mansur told The Daily Star over the phone.

“The exporters deserve more, but they should not be compensated with the people’s tax money. The government should not give an incentive to any matured industry,” he observed.

Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), platform for garment factory owners, said 1 percent cash incentive was quite inadequate for them as they were “passing through a very bad time”.

The apparel exporters had demanded 5 percent cash incentive.

“Had it been at least 3 percent, it would have been okay for us,” Rubana said at a Facebook live event on the budget.

She said it was estimated that the amount of cash incentive would be Tk 14,000 crore at the rate of 5 percent in a year solely for the garment sector, but the government allocated Tk 2,825 crore for the same period.

Zahid Hussain, lead economist at the World Bank’s Dhaka office, said it is not right to include the offer of a cash incentive in the national budget, rather taka should be depreciated against US dollar.

He said given the real time effects of exchange, taka can be devalued up to Tk 90 against $1 which is now exchanged between Tk 84 and Tk 84.50.

The economist said the garment exporters would be more benefited from the devaluation of the local currency.

He, however, said he was not sure about the necessity for giving a cash incentive to the garment sector as the country's garment export was on the rise.

Moreover, a big opportunity has been created for Bangladesh due to the current global trade scenario. For instance, Bangladesh has been receiving a lot of work orders, especially from the US retailers and brands, over the last one year because of the ongoing tariff war between the US and China, he told this newspaper over phone.

Many Western retailers and brands have been transferring work orders from China, the world's largest apparel exporter, to Bangladesh and some other neighbouring countries, mainly to avoid any uncertainty in the entire supply chain, said the WB official.

Furthermore, the US government recently suspended the GSP facilities of India and Turkey, two major global competitors of Bangladesh, which has also created an opportunity for the local exporters to grab more share in the US market, Zahid said.

According to him, many competitors of Bangladesh in Asia devalued their local currencies significantly to be more competitive in global trade and to give incentives to their exporters.

He said the government did not need to pay a two percent incentive to the remitters.

Salehuddin Ahmed, a former governor of Bangladesh Bank, said taka can be devalued slightly.

"We may devalue taka slightly against US dollar in line with the market demand, but we have to keep in mind that there is no negative impact on the imports," he told The Daily Star.

Bangladesh Bank data shows that expatriate Bangladeshis sent home $15.06 billion in eleven months (July 2018-May 2019) of the current fiscal year.

In the ongoing fiscal year, cash incentives are being offered against 35 categories of export products, according to budget documents.

Export incentives provided in fiscal 2008-09 amounted to Tk 1,500 crore, which stood at Tk 4,481 crore in the fiscal 2017-18.

Source: thedailystar.net- June 14, 2019

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Sri Lanka-China likely to resume FTA talks

Sri Lanka and China have agreed to resume the stalled free trade agreement (FTA) negotiations, following a recent informal discussion between Development Strategies and International Trade (MODSIT) Minister Malik Samarawickrama and Chinese Ambassador to Sri Lanka Cheng Xueyuan.

“The minister and Chinese ambassador to Sri Lanka government agreed to proceed with the proposed Sri Lanka-China FTA, after considering the recent developments. As there’s a favourable environment in both countries to proceed with the proposed FTA, we can now restart the stalled FTA talks,” a government source told Mirror Business.

The FTA negotiations between the two countries had been stalled due to several disagreements over the schedule of tariff liberalisation.

The Sri Lankan negotiators had proposed to liberalise 90 percent of tariff lines in a phased-out manner over a 20-year period.

However, the Chinese officials had insisted on outright liberalisation of tariff lines between the two countries. Also, China had objected the inclusion of a review clause to reassess the FTA after 10 years.

The last round of FTA negotiations was concluded in March 2017.

Meanwhile, Samarawickrama has appointed the core nine members of the new National Trade Negotiating Committee (NTNC) with the approval of the Cabinet of Ministers.

Commerce Department Director General Sonali Wijeratne has been appointed as the chief

FTA negotiator.

Speaking to Mirror Business, MODSIT Secretary S.T. Kodikara revealed that the government has institutionalised the structure of the NTNC by specifying the portfolios of the members of the NTNC

“We have clearly specified the portfolios of the officials of the NTNC in the Cabinet memo. No other person will be permitted to represent these officials, unless acting officials are appointed to their positions,” he said.

Further, Samarawickrama has appointed the members and heads of the sub-committees of the NTNC.

The MODSIT yesterday organised a half-day seminar on the proposed FTAs and the key government priorities for all members of the NTNC, trade advocacy groups and other key officials.

“We want to bring all of them into a common understating on the current status and priority areas of the government. It’s a general discussion with economic, trade and sector experts,” Kodikara noted.

Even though the MODSIT plans to resume FTA talks with India, China and Thailand, Kodikara stressed that the government wouldn’t enter into any FTAs until the feasibility studies on the relevant proposed FTAs are completed.

The MODIST has already published the Terms of Reference for conducting feasibility studies on the proposed FTAs in order to select a team of consultants or an institution to carry this task.

The selected agencies are required to deliver the final feasibility report within 210 days after contract signing while four preliminary reports are required to be delivered within the period.

The feasibility studies are to be published in all three languages, once completed.

Kodikara expects that negations between Sri Lanka and India on the proposed Economic and Technology Co-operation Agreement (ETCA) would resume soon as the Indian elections concluded.

He noted that the members of the NTNC are currently preparing for the resumption of FTA talks with India, China and Thailand.

Source: dailymirror.lk- June 13, 2019

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Vietnam textile and apparel industry clocks in 12 per cent

Compared to last year, Vietnam's textile and garment industry has grown by more than 12 per cent. Production of clothes is up 8.8 per cent, fabric made from natural fibers up 3.9 per cent, synthetic fibers up 19.5 per cent and casual clothes up 8.7 per cent.

The industry's export turnover has grown 9.8 per cent. Orders to Vietnamese enterprises have increased by eight per cent to ten per cent.

Textile enterprises are seeking new markets and the industry is determined leaders to increase Vietnam's market share abroad. The industry is appreciated for its quality and order fulfilment time.

Medium and large textile enterprises in Vietnam are working to meet social responsibility and obtain the Green Label criteria from partners.

Textile and garment exhibitions serve as an opportunity for textile enterprises to expand their market and help businesses get information about the latest production technologies and find ways to meet the needs of domestic and international buyers.

However, the sector also faces a number of challenges. There is a need to develop a competitive tool set including focusing on technological innovation, saving energy and improving the productivity of synthetic factors through solutions such as automation.

Businesses need to be linked through common information, artificial intelligence and big data.

Source: fashionatingworld.com- June 13, 2019

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Pakistan: Cotton target fixed at 15.02m bales

The Senate Standing Committee on National Food Security and Research was informed on Thursday that the government has fixed cotton production target of 15.02m bales on an area of 3.28m hectares this year.Sowing has so far been completed on 2.44m hectares to achieve 2.785m bales, the committee was informed.

Senator Syed Muzaffar Hussain Shah chaired the meeting which was attended by senators Seemee Zaidi, Mir Kabeer Shahi, Najma Hameed, Minister for National Food Security and Research Mahboob Sultan, Secretary National Food Security and Research Hashim Popalzai, MD Passco and member Irsa.

Regarding the proposal of the special committee on agriculture which had proposed to impose duty on cotton imports, the committee was informed that summaries has been moved for support price. The summaries have been sent to bodies concerned and views are awaited from Ministry of Commerce and the Federal Board of Revenue.

Managing Director Passco informed the meeting that torrential rains and hailstorms at the critical time of harvesting not only damaged the standing crop but per acre yield was also affected.

Regarding availability of water, the Irsa official informed the committee that total reservoir position as of Thursday was 2.512 million acre feet (MAF) against 1.818MAF in last year and no shortage is being observed as of today. The anticipated water availability this year is 47.77MAF against 39.40MAF in last year, he said.

Source: dawn.com- June 14, 2019

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Pakistan: Textile industry rejects govt's local sales claim

The textile industry on Thursday rejected Adviser to the Prime Minister on Finance Dr Hafeez Sheikh's assertion that domestic sales of textiles amount up to Rs1,200 billion per annum.

Speaking at the Pakistan Hosiery Manufacturing Association on Thursday Jawed Bilwani, Zubair Motiwala, Naqi Bari, Rafiq Godial and Shabir Ahmed challenged the finance adviser and asked him to come up with workable calculations which could substantiate his figures.

The industry leaders said that if they take the amount of Rs1,200bn as domestic sale of textiles and divide it with the population of 220 million, it would mean that every Pakistani could spend Rs5,455 annually on clothing.

They further said with average price of textile clothing at Rs700 each, a Pakistani could purchase eight suits per annum from the amount of Rs5,455. How is it possible that every Pakistani (including children) could purchase eight suits annually where 50 per cent of population is below poverty line, they questioned.

They alleged that the PM's adviser has come up with this figure only to justify the withdrawal of zero-rated facility allowed to export sector.

The leaders claimed that local sales of textiles come to around 15-20pc while export of other sectors comes in the range of 2-5pc.

Source: dawn.com - June 14, 2019

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NATIONAL NEWS

Textile body seeks Ministry's support to tackle readymade imports, help local industry

Rising imports of readymades from Bangladesh has put the domestic manufacturing sector in a tight spot

After its recent appeal to brands and retailers to focus more on sourcing and engaging with domestic textile manufacturing clusters (to curb the import of readymade garments from Bangladesh), the Indian Texpreneurs Federation (ITF) has now appealed to the Textile Ministry to facilitate a meeting betweenbrands and domestic manufacturers for mutual benefit.

Rising imports of readymades from Bangladesh has put the domestic manufacturing sector in a tight spot. Imports are up 53 per cent to $1.07 billion in 2018-19 fiscal.

A look at the import data shows that cotton garments such as trousers, shorts and shirts (for men and boys) and cotton t-shirts are amongst the top four imported items.

"And this surge is catching up with synthetic textile products too, at a much faster rate.

When all such items are commonly manufactured in clusters such as Tirupur, Chennai, Surat and Ichalkaranji, Indian manufacturers seem to be losing out to Bangladesh," said Prabhu Dhamodharan, Convenor, ITF.

The Federation, in its appeal to Union Textile Minister Smriti Zubin Irani stated that the Indian clusters could better serve the sourcing needs of both western and Indian brands than products sourced from Bangladesh, Sri Lanka or Indonesia.

Source: thehindubusinessline.com- June 13, 2019

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India's apparel grew lowest in five years, says study

As per CMAI's annual Apparel Index for FY2018-19, research conducted by DFU Publications on Indian apparel industry reveals, growth has been falling continuously for the past five years. In fact, except the first quarter of FY2018-19, the index values were much lower than comparable quarters in previous fiscal (FY2017-18).

Annual Year	Index Value
18-19	1.55
17-18	2.56
16-17	3.44
15-16	5.33
14-15	7.28

The Annual Index value of FY 2018-19 dipped to 1.71, the lowest ever in five years. Comparatively, the Annual Index in FY-2017-18 was 2.56; in FY-2016-17 it was 3.43 points similarly in FY-2015-16 it was 5.32 points and in FY-2014-15 it was 7.28 points. In fact, the index has been continuously falling over the years. FY2018-19 was marked by low business sentiment even during the festive season, perceived as the best time to make up for turnover losses, as buying is high at that time of year.

The onus for fall in the last three years could be attributed to demonetization and the implementation of GST which have disrupted market sentiment and overall growth and the market has not yet recovered from their effects.

Q4 index growth dips across brand groups

Apparel Index	Cumulative	Small	Mid	Large	Giant
Total Brands	**100**	**67**	**20**	**7**	**6**
Sales Turnover	0.52	-0.36	1.20	3.42	1.33
Sell Through	1.22	1.34	0.23	1.92	2.25
Inventory Holding	1.75	1.94	2.50	-0.71	0.00
Investment	1.56	1.58	1.70	0.85	1.66
Overall Index Value	**1.55**	**0.63**	**0.63**	**6.93**	**5.25**

In the fourth quarter, CMAI's Apparel Index touched 1.55 points a clear reflection of low growth compared toAnnual Apparel Index FY 2018 19 lowest growth in five years previous quarter. In fact, Q4 (Jan-Mar FY 2018 -19) figures are lower than previous quarter's 1.87.

Like earlier, small brands sales dipped this quarter, and Giant brands at 5.25 points reported a drop in growth, compared to last quarter's index figure of 6.00 and Q2s (July-Sept FY 2018 -19) impressive growth of 8.36. Except

Large brands skyrocketing growth from 2.06 points in previous quarter to 6.93 points in Q4, all other brand groups reported a dip over last quarter.

CMAl's Q4 Apparel Index recorded a growth of 1.55 points, which is almost 2.5 times higher than the Index for Small brands (turnovers of Rs 10 to 25 crores) and Mid brands (turnover of Rs 25-100 crores) both at 0.63 points each.

Large brands growth at 6.93 points, almost 4.5 times that of overall Index was the highest; at 5.25 points Giant brands' growth is 3.38 times that of overall Index. In fact, this quarter it is the Large brands which recorded better growth. And, even though Giant brand's rate of growth this quarter is much higher than others it is not as high as last quarter. At 1.55 points, overall Q4 index is lower than previous quarter's Q3 Index at 1.86 points.

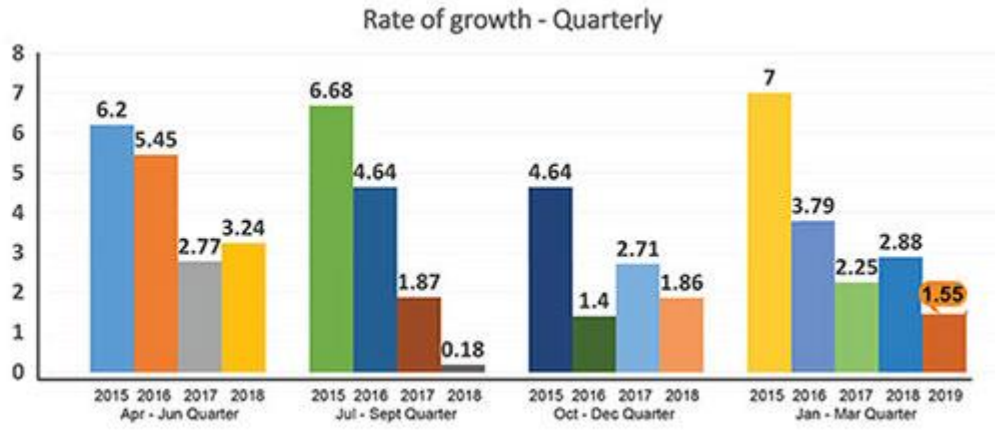
While Big brands (Mid, Large and Giant together) have grown at 6.08 points, much more than 3.52 points of previous quarter, individually Small and Mid brands dipped badly both to 0.63 from their previous quarter index values. Giant brands too have lost growth at 5.25 from 6.00 points previously. Only Large brands have pushed ahead to reach 6.93 (over three times) from their previous quarter's 2.06 points.

Giant brands lost their highest growing group position to Large brands this quarter, however, both groups are still leading, outgrowing recessionary trends. Mid brands join Small brands this quarter failing to manage even moderate growth. Overall growth Index has been pulled down by these brand groups.

If Sales Turnover was to be considered as the only parameter for determining Apparel Index, this quarter then overall Index would have reflected a growth of 0.52 which is higher than previous quarter's 0.88.

Sales Turnover down as Inventory Holding goes up

Cumulative Sales Turnover in Q4 is 0.52 a figure that is much lesser than that Q3's 0.88. Around 39 per centAnnual Apparel Index FY 2018 19 brands reported an increase in Sales Turnover this quarter compared to 48 per cent in previous quarter. "The decrease in sales turnover was mainly due to a slowdown in business due to a slowdown in the market post-Diwali. There was a substantial decrease in demand also," explains Paresh Dedhia, Owner,



Dare Jeans. On the contrary French menswear brand Celio reported positive sales turnover as Satyen Momaya, CEO, Celio points out, "The increase in sales turnover was due to our quality and we worked on an auto replenish model across our channels." Similarly, lifestyle brand Monte Carlo gave a positive feedback as Mayank Jain, General Manager for the brand explained, "The reason for an increase in the sales turnover is we had a strong and good winter. Weather conditions were good and winter lasted for a longer period." Adds Shitanshu Jhunjhunwala, Director, Turtle, "The increase in sales turnover was due to better work allocation. We had better sizes and availability of these sizes."

Almost 25 per cent brands reported a loss in Sales Turnover compared to 26 per cent in previous quarter. Except Large and Giant brands, other two groups this time reported sales losses. "The reason for the decrease in sales turnover was mainly due to closure of our stores," observes Shyam, President 109° F.

Sell Through recorded an Index growth of 1.22 this quarter compared to 0.96 of previous quarter, still showing pressure on fresh good sales. Maximum growth in Sell Through was reported by Giant brands. Mid brands however, clocked in the lowest value of 0.23. As Shyam opines "The main reason for decrease in sell through is the online business has taken over a lot and has hampered business. It has actually killed it."

Nearly 49 per cent brands reported an improvement in Sell Through, higher than 46 in Q3. "The major reason for an increase in sell through is the discounts given by brands before season and comparative price of the product. Imports from China is also a factor," opines Rakesh Jain, CEO, Miss Grace.

Inventory Holding in Q4 is 1.75 points, this is higher than 1.6 points in Q3. Almost 61 per cent respondents across brands said their Inventory Holding moved north this quarter higher than 58 per cent in Q3, a very high number and they were responsible for pulling down overall apparel index value. Increase in Inventory Holding impacts overall index negatively. Higher Inventory Holding indicates more stocks in warehouses or shop shelves.

Maximum increase in Inventory Holding was among Mid brands causing low index value; Giant brands on the other hand showed zero change in Inventory Holding. As Deepak Singhla, Marketing Head of Cantabil says "The decrease in inventory holding was because there was an increase in sale. Stock also sold off easily as well." Agreeing on this point Jain says "Inventory holding decreased as store level sales have gone up, hence, there was no dead stock."

However as per Momaya, "Inventory holding has actually not increased but has moved. There was more productivity and hence, inventory holding has gone down due to replenishment schemes." However, Dedhia points out, "Increase in sales turnover and increase in inventory goes hand in hand. Payment cycles have stretched. There is less rotation of funds in the market."

Investments, however, are low for the overall apparel segment, fresh Investments decreased to nearly 1.56 points, as against 1.62 points last quarter. Highest investments were done by Mid brands followed by Giant brands. Overall nearly 73 per cent respondents reported a rise in investments which is lower than 81 per cent in previous quarter. High investments in last quarter indicate most brands had to invest to manage albeit small growth which means growth is not coming easily.

An average outlook for next quarter

Around 58 per cent (last quarter 52 per cent) brands say the outlook for next quarter is 'Average'. Generally, Q1 of the new fiscal, should be better as fresh summer sales picks up and prior to EOSS in July.

However, there is no such excitement as the market has still not recovered from the earlier slowdown. Another factor could possibly be the Lok Sabh elections in Q2 this year which may have resulted in tepid response.

CMAI’s Apparel Index

CMAI’s Apparel Index aims to set a benchmark for the entire domestic apparel industry and helps brands in taking informed business decisions. For investors, industry players, stakeholders and policymakers the index is a useful tool offering concrete and credible information, and is an excellent source for assessing the performance of the industry.

The Index is analysed on assessing the performance on four parameters: Sales Turnover, Sell Through (percentage of fresh stocks sold), number of days of Inventory Holding and Investments (signifying future confidence) in brand development and brand building.

Source: fashionatingworld.com- June 13, 2019

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Zero discharge textile processing park to come up near Madurai

A Rs 200 crore zero-waste textile processing park, which would be a boon to the textile industry in the state to get rid of effluent, is to come up at Kariapatti in Virudhunagar district on the border with Madurai.

This was revealed at a press meet organized to announce the textile expo to be held from June 18 to 21 at Madurai District Tiny and Small-Scale Industries Association (Maditssia).

Project director of the textile processing park K R Gnanasambandan said that they were in the process of seeking permission for the foundation stone laying ceremony of the park which is to be spread over 100 acres. He said the park would be established in a year.

As in other districts, textiles had been flourishing in Madurai and the southern districts too with about 75 units functioning well till recently in Madurai alone. However, about 35 of them had closed down thanks to the issue of pollution.

The remaining ones were suspended because power supply was stopped over the issue. Gnanasambandan said that the textile processing park project was signed by late chief minister J Jayalalithaa at the 2015 Global Investors Meet and Maditssia was the first to take up the offer. ``The central government will contribute Rs 100 crore and the state government and Maditssia Rs 50 crore each for this park,” he said.

It had taken them five years to get clearances at different levels, including the most important one on pollution from the Tamil Nadu Pollution Control Board, and other environmental clearances. The park would house 40 textile units which would be relocated into the park from in and around Madurai.

The units would bleach and dye textiles, but there would be zero discharge. He said that 96% of the water from the park would be recycled while the remaining 4 %, which was sludge, would be sent to the evaporator. The water in the sludge would evaporate and the remaining solid, which was predominantly lime, would be sent to the cement industry.

He said that the park could help rejuvenate the textile industry throughout the state as it would help them with the crucial functions of bleaching and dyeing. All types of yarn could be processed here. Once functional, the park would provide direct employment to 2,000 people and indirect employment to over 5,000 people, he added.

Source: timesofindia.com- June 14, 2019

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India likely to be among top 20 global FDI sources by 2021: UN body

Drawing inference from a survey of investment promotion agencies globally, the report points out that India's equity outflows stood at $11.03 billion in 2018

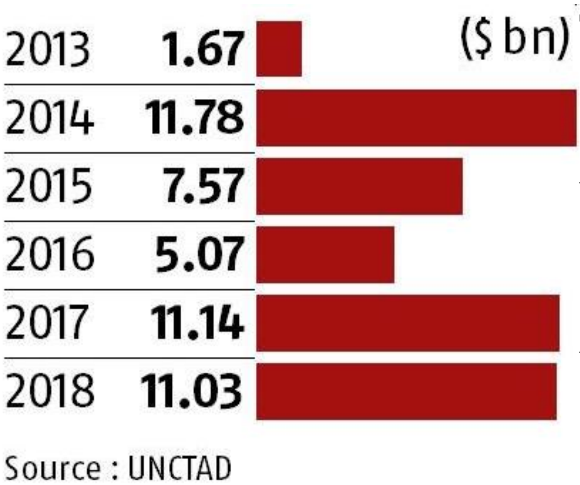
The growing number of Indian companies eyeing international acquisitions is expected to make the country one of the top 20 global sources of foreign direct investment (FDI) soon, shows a report by a UN body.

“India and the UAE — not traditionally in the top 20 outward investor countries — were also listed among the top 10 sources of FDI, for the 2019-

2021 period, shows the report on international FDI flows by United Nations Conference on Trade and Development.

Drawing inference from a survey of investment promotion agencies globally, the report points out that India's equity outflows stood at $11.03 billion in 2018.

Firms on shopping spree



The current year has seen a string of announcements by Indian majors, according to the India Brand Equity Foundation (IBEF), a trust established by the commerce department.

Infosys has announced the acquisition of 75 per cent stake in a subsidiary of Dutch bank ABN AMRO. In March, Sun Pharmaceuticals also raised its stake in Russia's PJSC Biosintez to 97 per cent.

Closer to home, Ashok Leyland has set up a new facility in Dhaka, in a joint venture with IFAD Autos. The sales, service, and spare parts facility is spread over 138,000 square feet, and will cater to the entire range of Ashok Leyland vehicles.

In addition, auto components major JBM Group has purchased a majority stake in Linde-Wiemann, a German structural components producer. OYO is planning to invest $1.2 billion in expansion across key markets, including China.

Falling inbound FDI

However, inbound FDI remains a different story. While the report said that FDI inflows rose 6 per cent in 2018 to $42 billion, the government's own data for the entire FY19 period has shown that inbound equity investments declined for the first time in six years in FY19.

Latest figures released last month by the Department for Promotion of Industry and Internal Trade (DPIIT) revealed that equity inflows reduced to $44.36 billion, down 1 per cent from $44.85 billion last year.

“Apart from a wait-and-watch policy adopted by global investors before the elections, volatility in the stock market as well as the overall weak health of the corporate sector may have scared off new inflows,” said Devendra Pant, chief economist at India Ratings.

India’s economy officially grew 6.8 per cent in FY19 — lowest in the Modi government’s first tenure. Private investments remained subdued and demand — particularly in the rural sector — was muted. However, investors may now rally around the massive mandate given to the incumbent government and investments may rise accordingly, Pant added.

In the subcontinent, FDI inflows to Bangladesh and Sri Lanka rose to a record $3.6 billion and $1.6 billion, respectively. However, Pakistan witnessed a 27 per cent decline in investment to $2.4 billion.

In FY19, Singapore turned out to be the largest source of offshore funds, with FDI rising nearly 25 per cent to $16.22 billion. This was followed by Mauritius at $6.8 billion and Japan at $2.98 billion.

India revised its tax treaty with Mauritius and Singapore, which has fully come into effect from the current financial year.

Source: business-standard.com- June 13, 2019

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Bt Cotton: Centre asks Maharashtra to investigate illegal cultivation

Taking note of the series of protests by farmers in Maharashtra against the ban on cultivation of genetically modified crops, the Centre has asked the state government to verify facts on ground and take appropriate action.

Farmers' body Shetkari Sanghatana in Maharashtra said that it will continue to defy the government ban and hold ceremonies to sow unapproved variant of herbicide tolerant Bt cotton (HTBt) seeds across the state.

Richa Sharma, joint secretary, Union environment ministry, has written to the chief secretary of Maharashtra, directing the government to immediately order an investigation into the matter.

In a letter addressed to Maharashtra chief secretary Ajoy Kumar Mehta, Sharma stated that she has written to him in connection with a complaint received from Rajesh Krishnan, on behalf of the Coalition of GM-Free India, regarding suspected open cultivation of BT Brinjal and HT Cotton in Andhra Pradesh, Haryana, Maharashtra (Akoli Jahangir village, Akot Block) and Punjab.

The joint secretary requested the state chief secretary to immediately order an investigation and verify the facts on ground and also conduct gene/event specific testing for the suspected illegal cultivation of genetically modified (GM) crops.

Appropriate action may be taken to stop any such illegal GM cultivation in accordance with the Rules for the Manufacture, Use/Import/Export and Storage of Hazardous Micro Organisms/ Genetically Engineered Organisms or Cells (1989), she said, adding that a detailed report on action taken may be submitted to the ministry at the earliest.

On Thursday morning, around 60-70 farmers led by Anil Ghanwat, national president, Shetkari Sanghatana, planted the HTBT seeds on a one-acre plot belonging to 34-year old Mahadev Vitthalrao Khamkar of Anandwadi village in Sri Gonda taluka of Ahmednagar district.

Ghanwat told FE that the farmers' body will continue to publicly plant such seeds in ceremonies across various cotton growing regions of Maharashtra and also put up boards and slogans on the field proclaiming that the HTBT variety seeds have been planted on the field.

When contacted, Khamkar confirmed that he had participated in the planting the banned variety of HTBT cotton on his field . He said that some of the farmers from his village had attended a planting ceremony held earlier at Akola at farmer activist Lalir Bahale's field and said that he had purchased the seeds from the stall there. Khamkar said that although he is aware that the government has banned this variety of cotton, farmers have no other options before them.

"Farmers are deep in debt. Input costs have gone up and labour also does not come cheap. And I come from a drought-affected region where there is no water. There are few options before farmers like me besides committing suicide. Moreover there is no harm in planting this variety," he said, adding that he was ready to face any action.

Source: financialexpress.com- June 14, 2019

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Woodland's sub-brand Woods to foray into apparels segment; to expand footprint as separate retail entity

Aero Club, makers of Woodland brand of shoes and apparels, is planning to expand its second brand 'Woods' into office and semi-formal wear (apparels).

This apart, standalone expansion of 'Woods' stores is also on cards.

Woods was introduced nearly a decade ago as a sub-brand of Woodland focusing on formal footwear for men and competing with the likes of Clarks, Aldo and Hush Puppies.

The initial focus was on international designs as compared to outdoor shoes and boots under the 'Woodland' brand.

Later, the sub-brand was extended to include women's footwear.

Subsequently, it was elevated as a standalone retail entity. Approximately, 60 per cent of Woods' current turnover comes from women's footwear. The remaining 40 per cent come from men's footwear.

In FY19, Woodland reported a turnover of ₹1,250 crore. Woods' share was 20 per cent of it, or ₹250 crore.

According to Harkirat Singh, MD, Aero Club, plans are afoot to expand the brand (Woods) as a complete lifestyle one by adding formal and semi-formal wear range for both men and women.

"Woods found traction as a standalone retail entity focussed on premium formal and casual footwear. We would now like to extend it to apparels," he told BusinessLine.

New export markets such as Australia and Canada are being explored, even as the company remains focused on existing markets such as GEC countries, Russia and South Africa.

Standalone stores

According to Singh, Woods will be expanded as a separate retail entity with standalone stores. There are already 10 such standalone stores across Delhi, Bengaluru, Kerala, Hyderabad, Chennai, Patna and Mumbai.

The refocus on expanding Woods as a separate retail entity comes nearly after two years when demonetisation and roll-out of the GST had stopped its expansion drive.

At least six stores, all company-owned-and-company-operated, are planned by the end of this year at a cost of ₹10-12 crore.

These stores will be set up in malls with focus on Tier-I cities, or those which has a high purchasing power.

Source: thehindubusinessline.com- June 12, 2019

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GSP withdrawal: Commerce Secretary Ross seeks 'transparency', 'mindset of moving forward' from India

The United States is open to dialogue and India needs a mindset of moving towards an open economy, US Secretary of Commerce Wilbur Ross said in his address at a major India-centric summit organised by US-India Business Council here on Thursday morning.

Ross' remarks come close on the heels of the decision made by US President Donald Trump to end preferential trade treatment for India from June 5 over the trade barriers.

"Unfortunately, India could not provide assurance on our concerns and hence, Generalised System of Preferences (GSP) benefits were withdrawn", Ross said at his keynote address.

Stressing on how India's tariffs are significantly higher than the US, Ross said, "I also explained to Prime Minister Narendra Modi that the US Trade Representative will hold off on the GSP decision till the elections."

Ross also said the two democracies will continue to engage in talks to iron out issues that have strained trade relations between the two countries.

However, the Commerce Secretary lauded India and its efforts to improve ease of doing business.

"I will be visiting India again in the near future and I look forward to meeting Prime Minister Modi to enhance mutual investment potential," Ross said.

On Wednesday, Secretary of State Michael Pompeo had said that the US is open for a dialogue to resolve trade differences with India.

"It's a partnership of equals is how we see it. In my upcoming visit, we will probably discuss the GSP decision." Pompeo had said during his address at the US-India Business Council ahead of his visits to India, Sri Lanka, Japan and South Korea later this month.

"We remain open to dialogue, and we hope that our friends in India will drop their trade barriers and trust in the competitiveness" of their own companies, he had added.

Source: business-standard.com- June 13, 2019

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Global trade is important for India's prosperity

The international, rules-based, multilateral trading system enshrined through the World Trade Organization (WTO) faces an existential threat. WTO accession played a major role in China's rise to prosperity. China's foreign trade rose 10-fold from $475 billion on WTO accession in 2001 to about $4.5 trillion today. India's total foreign trade in goods and services of approximately $1 trillion in 2018 is roughly the same as China's in 2003.

Can the multilateral trading system play a similar role for India as it did for China, but under very different global circumstances?

First, the background. The first wave of globalization spanned 1870-1914. This wave, triggered by the industrial revolution, was facilitated by the movement of goods on steamships and railways with financial intermediation centred in London. Exports as a percentage of global output rose to about 15% from single-digit numbers during this period. This phase was interrupted by World War I, the Wall-Street crash of 1929 and the economic depression that followed. In 1940-42, legendary economist John Maynard Keynes proposed a new global trade system based on a "reserve currency" called the bancor and a settlement system that would require an International Clearing Union. Neither of these were established since the dollar became the de-facto reserve currency under a pegged exchange rate system that the Bretton Woods Conference accepted after World War II.

The second wave of globalization began around 1950 and was facilitated by the rise of commercial aviation and telecommunication, and sustained towards the end of the 20th century by the rise of the internet. These technologies also facilitated a dramatic increase in global services trade. This second wave greatly benefited from the global institutions set up in the Bretton Woods Conference—the World Bank, the International Monetary Fund and the General Agreement on Tariffs and Trade (GATT), which subsequently became the WTO in 1994 after the Marrakesh Agreement. Exports as a percentage of global output have now risen to about 25% on an average, even as global output has grown materially in the 75 years since World War II.

The first globalization wave resulted in the developed world becoming prosperous and other countries remaining poor. The second wave of globalization has resulted in the developing world making rapid strides and, in the particular case of China, lifting an entire nation out of poverty. The distribution of prosperity both across countries and within countries has become uneven. This imbalance has led to significant domestic pressure on politics, in turn leading to policies such as “America First" and “Made in China 2025". Followed to the extreme, nation-first ideologies conflict directly with a multilateral trading system.

India too has brought a nation-first form of policy in “Make in India", even though it stands to be the biggest beneficiary of global trade for the next couple of decades . A WTO-like system helps countries most when they are lifting from about $2,000 in annual per capita income to about $5,000 with favourable demographics—this is the situation India finds itself in. Trade creates a virtuous cycle of competitive dynamism, employment and economic growth. China embraced this challenge two decades ago and has benefited enormously. Even though India finds itself in an increasingly protectionist world, it should become an enthusiastic supporter of the world trade system and make its voice heard.

Only last week, the new Indian government announced eight cabinet committees, including two new ones on investment and employment/skill development. To give it due importance, I propose that we should add another one for foreign trade made up of ministers from external affairs, commerce, petroleum, agriculture and finance, and led by the external affairs minister. This new cabinet committee should have the mandate to be much more proactive at the WTO. It should start with submitting a position paper on WTO reform (the US, Japan and China have done so already). India’s position should explicitly suggest reforms for rule-making, dispute-settlement and the restoration of the WTO appellate body. India has already taken a positive step saying it will not oppose the end of its special and differential treatment status. Over time, this will force the Indian export industry to be more competitive.

The key is for India to embrace this engagement with WTO fully, as China did in the late 1990s, for its own national interest. Before and after China’s accession to the WTO, it undertook structural and institutional reform to maximize its return. In the same way, India should use the opportunity for betterment. Unlike the prevailing American view, global trade is not a zerosum game. For India, it can be a win-win proposition and a modernized WTO is its best chance. There are inferior choices like regional or bilateral free-trade agreements. These should be our least favoured choice only to be engaged if the multilateral system collapses. India probably does not realize it, but in the same way that China was seen as a success in the first 10 years after it joined the WTO, India can provide purpose and direction to the WTO for the next decade or two.

Source: livemint.com- June 12, 2019

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CAIT releases White Paper on GST, asks FM to lower rates

Traders body CAIT on Thursday urged the government to lower GST rates on various products, including auto parts and aluminium utensils.

It also suggested a review of items placed under different tax slabs under Goods and Services Tax (GST) as many of them are overlapping.

"Various items like auto parts, aluminium utensils etc. are not of luxurious nature (and) should be taken out from 28 per cent tax slab...," CAIT said in a statement.

The trade body submitted a White Paper on GST to Finance Minister Nirmala Sitharaman, in which it emphasized the need to streamline the GST slabs and ensure that as a matter of policy, the tax rate on a raw material is not more than the tax rate for the finished goods.

Presenting the paper, CAIT Secretary General Praveen Khandelwal urged the Minister to simplify Form GSTR 9 and 9C as it demands various information which were not prescribed earlier and hence traders are unable to comply with the same.

He also said that as per original announcement, the non-banking finance companies and micro finance institutions should be roped into the Mudra scheme to lend to the ultimate beneficiary and banks should be asked to lend finance to NBFCs and MFIs.

While welcoming waiving-off of bank charges, Khandelwal suggested that in order to encourage adoption and acceptance of digital payments, the bank charges levied on card payments should be subsidised by the government directly to banks and neither the traders and nor the consumers should be charged any bank charges on card transactions.

The traders' body has also urged the Finance Minister to form GST Lokpal in each state and at the Centre so that a forum is provided to all traders to redress their concerns.

Welcoming the suggestion, Sitharaman assured the delegation that she will look into the issues raised by CAIT. The intention of the Government is certainly to simplify the tax procedure so that more and more people can easily comply with it, she said while urging traders to streamline their existing business format and comply with the law.

In its White Paper on GST, the CAIT has raised many issues including advance ruling, reverse charge mechanism, rectification of GST returns, that the liability of paying GST should be devolved on the seller only and no action should be taken against the buyer, clarification of jurisdiction of CGST & SGST, HSN code issues, abolition of Form ITC-04, and so on.

The CAIT has also urged a reduction in the tax rate from the current slab to the appropriate lower slab for items like hardware, mobile covers, food items, dry fruit, ice cream, food grains, malt/cereal-based health food drinks, paints, marble, used vehicles, two-wheelers, agricultural equipment, roasted chana, etc.

Source: business-standard.com- June 13, 2019

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