**NEWS CLIPPINGS**

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State reserve impacts China’s cotton import demand: USDA</td>
</tr>
<tr>
<td>2</td>
<td>Gap Inc. Confirms Plans to Compensate Suppliers for Cancelled Orders</td>
</tr>
<tr>
<td>3</td>
<td>USA: New Tariffs on Imports from France Slated for January</td>
</tr>
<tr>
<td>4</td>
<td>China is winning the trillion-dollar 5G war as it integrates internet with real economy</td>
</tr>
<tr>
<td>5</td>
<td>USA: Cotton season struggling as heat wave, pandemic continue</td>
</tr>
<tr>
<td>6</td>
<td>Vietnam: Plummeting exports threaten textile job cuts</td>
</tr>
<tr>
<td>7</td>
<td>Inditex to invest €2.7 billion for 2020-2022 plan</td>
</tr>
<tr>
<td>8</td>
<td>Fear for garments job cut thrives in Philippines</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
<th>NATIONAL NEWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Centre lifts export ban on textile raw materials for masks, coveralls</td>
</tr>
<tr>
<td>2</td>
<td>India-EU Summit may take a fresh look at long-pending FTA</td>
</tr>
<tr>
<td>3</td>
<td>FM Sitharaman reviews implementation of Aatmanirbhar package</td>
</tr>
<tr>
<td>4</td>
<td>Pakistan to allow Afghanistan to resume exports to India through Wagah</td>
</tr>
<tr>
<td>5</td>
<td>Garment exporters call for FTAs with EU, UK, US, Australia to push exports</td>
</tr>
<tr>
<td>6</td>
<td>First container cargo export from India arrives at Pangaon port using inland waterway</td>
</tr>
<tr>
<td>7</td>
<td>India mustn’t rush into slapping all imports with labels of origin</td>
</tr>
<tr>
<td>8</td>
<td>Boosting India-Bangladesh railway network connectivity; win-win for both sides</td>
</tr>
<tr>
<td>9</td>
<td>'Duty-free' hits a fifth of manufacturing imports, says WTO report</td>
</tr>
<tr>
<td>10</td>
<td>India to further ease FDI norms, reforms in pipeline</td>
</tr>
<tr>
<td>11</td>
<td>How severe is the bad loan shock awaiting Indian banks?</td>
</tr>
<tr>
<td>12</td>
<td>Jawaharlal Nehru Port gets regulator’s nod to hike rates</td>
</tr>
<tr>
<td>13</td>
<td>E-com to play a key role in apparel sector success: NPD</td>
</tr>
<tr>
<td>14</td>
<td>Amazon pumps fresh fund of ₹2,310 cr into India unit</td>
</tr>
</tbody>
</table>
INTERNATIONAL NEWS

State reserve impacts China's cotton import demand: USDA

China's state reserve absorbs surplus domestic cotton to keep internal prices from falling too low, and also purchases foreign cotton at times. The state reserve also supplies to domestic market if prices and supplies outside of China are such that internal prices rise too high relative to world prices. So, state reserve impacts China’s cotton import demand.

![Graph: China's Imports do not Follow Supply Gap](image)

For most cotton spinning countries, import demand is largely driven by the supply gap between production and consumption. However, China has been an outlier. The country’s trade has shown little correlation between its imports and its supply gap over the last decade; for example, 2011-12 imports doubled and reached nearly 25 million bales while the supply gap fell by 75 per cent to 4 million bales.

"The disconnect between the supply gap and import volume was due to the fluctuations the level of China’s state reserve," the Foreign Agricultural Service of the US department of agriculture (USDA) said in its July 2020 report 'Cotton: World Markets and Trade'.

Since China’s accession to the WTO in 2001, the state reserve has bought or sold nearly 200 million bales of cotton; and state reserve holdings have changed by up to nearly 20 million bales in a single year.

"The reasons for state reserve activity have been both external and internal – external being the global price shocks of 2008 and 2010, while the policy of shifting production to Xinjiang served internal purposes," the report said.
"Year-to-year state reserve activity has had a major impact on China’s imports, as some years cotton released from the reserve reduced demand for imported cotton and in other years purchases bolstered import demand," the report added.

Hence, anticipating the level of state reserve activity is important in predicting China’s cotton import demand.

Following annual auctions of the world’s largest cotton reserves in the years starting after 2013-14, USDA is now estimating that China’s state reserve has reached the government’s preferred level.

Nearly 10 million bales are estimated to remain – a level consistent with the government’s objectives and down from nearly 60 million bales in March 2014.

"USDA predicts a strategy of rotation going forward and minimal net changes in stock levels, with the state reserve auctioning old-crop and replacing with both new-crop domestic cotton and imports. This would imply that for the first time in over a decade that import demand in China will largely be based on the supply gap," the USDA report said.

However, COVID-19 has sharply reduced China’s spinning activity, and therefore import demand in 2019-20 and to some extent into 2020-21. "Looking ahead, demand is expected to recover from the COVID-19 impacts.

Production in the inland areas is likely to continue its decline, while area expansion in Xinjiang is limited and the USDA Baseline forecasts total production to grow modestly.

If China’s consumption increases at or near the expected global rate of growth, then import demand will still witness steady growth, albeit somewhat limited," said the report.

Source: fibre2fashion.com– Jul 13, 2020
Gap Inc. Confirms Plans to Compensate Suppliers for Cancelled Orders

As retail begins to reopen at various levels across Europe and the U.S., several global brands are taking steps to finally formalize their orders and payment terms with suppliers that were left in the lurch during the peak of the pandemic.

On Friday, Gap Inc., owner of the Old Navy, Athleta, Banana Republic and Gap brands, stated it will work collaboratively with its vendors to compensate them in full for finished goods and goods in production that were canceled or subject to pack and hold.

“While we have extended payment terms on certain orders, in the immediate term we are providing low cost financing to our vendor partners, and are working with our banking partners to increase the amount of funds available within the program as we move forward,” the company wrote in a statement.

The statement follows one made by the company in June that said it was in “close communications” with vendor and that it would meeting with each one individually to evaluate orders, operating restrictions and the health and wellness of their workers.

At the time, Gap Inc. reported it cancelled fewer than 3 percent of purchase orders by value for finished garments and garments in production, and was working with vendors to utilize uncut raw materials for future seasons.

“Given that the corporation has faced challenges during the crisis more severe than those confronting some of its competitors, and given the large volume of orders at stake, it is to Gap Inc.’s credit that it has made it a priority to honor its obligations to suppliers and workers related to past orders,” stated the Worker Rights Consortium (WRC).

Earlier this year Gap Inc. landed on the wrong side of WRC’s COVID-19 tracker, which monitors corporations that have not made a commitment to pay in full for goods that were in production when the health crisis began.

WRC called out Gap for the cancellation of orders, “its imposition of sizable discounts on some orders, related to storage charges; and its extension of
payment terms for some orders, without the provision of adequate low-cost financing to affected suppliers.”

Though the company is still extending payment terms for a portion of its supply base, WRC noted that the apparel giant’s supplier finance program “commands sufficient lending capital to address supplier needs that may arise as a result of the delayed payments.”

The announcement by Gap Inc. was the third made this week by a major brand.

Following months of back-and-forth with labor advocates, Danish-headquartered retailer Bestseller, owner of the Jack & Jones, Mamalicious and Vero Moda brands, said it is “immediately releasing” payments on current orders, as well as implementing early payments until October in a bid to “ensure suppliers’ cash flows.”

Paying in full for finished and in progress orders and using raw materials already received in future seasons has been Levi Strauss & Co.’s policy since the start of the pandemic. The company, however, released a statement this week about the additional financing support mechanisms that it has put in place to assist suppliers, including its program with the International Finance Corporation (IFC) that allows suppliers to get early payments at favorable market rates. The company is also providing assistance to suppliers not in locations served by IFC. As a result, Levi’s is now protecting the cash-flow of all suppliers.

Source: sourcingjournal.com– Jul 13, 2020

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USA: New Tariffs on Imports from France Slated for January

The U.S. is planning to impose an additional 25 percent tariff on imports of soap, cosmetics, and handbags from France in response to that country’s digital services tax. However, application of this tariff has been suspended until Jan. 6, 2021.

Earlier this year France enacted a three percent tax on total annual revenues generated by some companies from providing certain digital interface
services (e.g., e-marketplaces for goods and services) and Internet advertising services to, or aimed at, French users. The Office of the U.S. Trade Representative has determined that this DST discriminates against U.S. companies and is inconsistent with prevailing tax principles on account of its retroactivity (to Jan. 1, 2019), its application to revenue rather than income, its extraterritorial application, and its purpose of penalizing particular U.S. technology companies.

In response, USTR had proposed to impose additional tariffs of up to 100 percent on products of France to be drawn from a list of 63 tariff subheadings with an import value of about $2.4 billion. Following public comments and further review, USTR has now determined to impose a 25 percent additional tariff on the following 21 tariff subheadings with an import value of about $1.3 billion.

- 3304.10.00 (lip makeup preparations)
- 3304.20.00 (eye makeup preparations)
- 3304.30.00 (manicure or pedicure preparations)
- 3304.91.00 (beauty or makeup powders, whether or not compressed)
- 3304.99.50 (beauty or makeup preparations and preparations for the care of the skin, excluding medicaments but including sunscreen or sun tan preparations, not elsewhere specified or included)
- 3401.11.10 (castile soap in the form of bars, cakes, or molded pieces or shapes)
- 3401.11.50 (soap, not elsewhere specified or included; organic surface-active products used as soap, in bars, cakes, pieces, soap-impregnated paper, wadding, felt, for toilet use)
- 3401.19.00 (soap; organic surface-active products used as soap, in bars, cakes, pieces; soap-impregnated paper, wadding, felt, not for toilet use)
- 3401.20.00 (soap, not in the form of bars, cakes, molded pieces, or shapes)
- 3401.30.10 (organic surface-active products for washing skin, in liquid or cream, containing any aromatic/mod aromatic surface-active agent, put up for retail)
- 3401.30.50 (organic surface-active products and preparations for washing the skin, in liquid or cream form, put up for retail sale, not elsewhere specified or included)

- 4202.21.30 (handbags, with or without shoulder strap or without handle, with outer surface of reptile leather)

- 4202.21.60 (handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, not elsewhere specified or included, not over $20 each)

- 4202.21.90 (handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, not elsewhere specified or included, over $20 each)

- 4202.22.15 (handbags, with or without shoulder straps or without handle, with outer surface of sheeting of plastics)

- 4202.22.40 (handbags with or without shoulder strap or without handle, with outer surface of textile materials, wholly or in part of braid, not elsewhere specified or included)

- 4202.22.45 (handbags with or without shoulder strap or without handle, with outer surface of cotton, not of pile or tufted construction or braid)

- 4202.22.60 (handbags with or without shoulder strap or without handle, outer surface of vegetable fibers, excluding cotton, not of pile or tufted construction or braid)

- 4202.22.70 (handbags with or without shoulder strap or without handle, with outer surface containing 85 percent or more of silk, not braided)

- 4202.22.81 (handbags with or without shoulder strap or without handle, with outer surface of manmade fiber materials)

- 4202.22.89 (handbags with or without shoulder strap or without handle, with outer surface of textile materials, not elsewhere specified or included)

This tariff will be suspended for 180 days to allow additional time for bilateral and multilateral discussions “that could lead to a satisfactory resolution of this matter.” However, USTR has left open the possibility that the suspension period could be shortened.
China is winning the trillion-dollar 5G war as it integrates internet with real economy

China is building tens of thousands of 5G base stations every week. Whether it wins technological dominance or not, domestic supply chains may be revived and allow the country to maintain – and advance — its position as the factory floor of the world, even as Covid-19 forces a rethink in how globalization is done.

By the end of this year, China will have more than half a million of these towers on its way to a goal of 5 million, a fast climb from around 200,000 already in use, enabling faster communication for hundreds of millions of smartphone users. By comparison, South Korea has a nearly 10% penetration rate for 5G usage, the highest globally. The much-smaller country had 115,000 such stations operating as of April.

The towers are part of a raft of projects that the State Council announced last week to boost industrial innovation under the “New Infrastructure” campaign aimed at furthering “the deep integration of the Internet of Things” and the real economy. With an aim of spending $1.4 trillion by 2025, the aggressive buildup toward a more automated industrial landscape will give China a renewed advantage where it already dominates: manufacturing.

The coronavirus shut down factories and industrial sectors, triggering a rethink of supply chains – away from China. What analysts are calling “peak” globalization and the rise of factory automation could shift production to higher-cost countries in North America and Southeast Asia. It will take a while, but the global dependence on China will come down, the thinking goes. Still, with trade ravaged by Covid-19, other countries and telecom operators will struggle to match China’s spending.

For China, there’s an opportunity to clear the way to forcefully implement its industrial policy agenda, without interference from criticism over subsidies and unfair competition. The so-called Central Comprehensively Deepening Reforms Commission, headed by President Xi Jinping, has
approved a three-year plan to give state-owned enterprises yet more sway in the economy.

Beijing’s ambitious programs are still in the construction phase. Macro base stations are the nuts and bolts of building out 5G networks, and will exceed their 4G predecessors by almost 1.5 times. Capital expenditure could peak at $30 billion this year, according to Goldman Sachs Group Inc. analysts, up from $5 billion last year. Beijing wants more local governments and companies to get involved. Each station costs around 500,000 yuan ($71,361) and has a long value chain that includes electrical components, semiconductors, antenna units and circuit boards. The vast number of companies spawned by the project are all contributing to China’s push to get ahead.

For the industrial complex, the onset of 5G will enable greater connectivity between machines and much more data transfer and collection. Fifth-generation technology is expected to have a big impact through increasingly efficient and automated factory equipment, and tracking the movement of inventory and progress of production lines and assets. Manufacturing is expected to account for almost 40% of 5G-enabled industry output, according to Bernstein Research analysts.

From sensors and data clouds, to chips and collaborative robots and computer-controlled machinery, a whole universe of little-known Chinese companies is coming to the fore. Memory chip maker Gigadevice Semiconductor (Beijing) Inc. has ridden the trend, as has Yonyou Network Technology Co., China’s version of Salesforce.com Inc. For some of these companies, government subsidies are a significant part of earnings, as my colleague Shuli Ren has noted. Stock prices have surged in recent months for firms like Shennan Circuits Co., which makes printed circuit boards, and Maxscend Microelectronics Co., a manufacturer of radio frequency chips. Some are seeing their market capitalization values balloon by billions of dollars as Beijing has upped the ante on new infrastructure.

To be sure, it isn’t hard to imagine a hinterland speckled with ghost towers and base stations in coming years as China’s propensity to overbuild beyond any reasonable capacity kicks in. The past shows that questions of quality will arise when too many sub-par manufacturers crop up, incentivized by the state’s largesse. Nonetheless, this is the technology of the not-so-distant future, and building up the basic infrastructure isn’t misguided.
As Covid-19 absorbs the world’s attention, Beijing’s steady focus on implementing this industrial policy may make China the manufacturer of parts that most countries will need – soon. In other words, it will yet again become the factory floor, mastering the production of all things 5G.- Bloomberg

Source: theprint.in– Jul 13, 2020

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USA: Cotton season struggling as heat wave, pandemic continue

Texans are used to hot summer days, but the region’s most valuable crop could use a break.

The Texas High Plains produces 30 percent of the nation’s cotton, but an average season comes with challenges. Cotton producers typically expect harsh weather once it’s time for planting season, whether it be the heat, drought or bad hail and wind storms.

Recent years have brought a mixed bag of setbacks, and this year is looking like it may be a long road to recover.

“I only have 138 acres of irrigated cotton and about the same for dryland, I lost everything else in the June 4 hail storm,” explained Lloyd Arthur, a cotton producer in Ralls. “I haven’t planted everything back, and some places I decided not to plant anything.”

Arthur estimated he’s lost about 1,500 acres of irrigated cotton and a few hundred acres of dryland since the June 4 storm, and has seen the damage reach acres in Lorenzo too.

Like other towns across the region, Ralls is experiencing an excessive heat wave with temperatures reaching as high as 108, and close to 80 degrees at night.

The forecast puts Arthur and other producers in a tight spot even with the help of irrigation. To balance the water needs with the drought, Arthur said he would need to be irrigating all day every day, and the expenses would be too high to keep up with.
“Everybody is running the numbers, and prices for all commodities are down, so a lot of folks decided to sit this one out,” said Arthur. “I think for the most part, people are going to keep the expenses low because come fall, I don’t know that prices will recover.”

Arthur has started to grow some sorghum as a back-up, but he’s hesitant to invest too much in it when the crop is already feeling the effects of extreme heat.

The weather outlook seems grim as forecasts show the heat and drought will likely continue through the end of the month and August, which is typically the hottest month in Lubbock.

According to the National Weather Service in Lubbock, the hottest day last year was Aug. 26 when temperatures reached 109 degrees. Monday reached 109 degrees and is expected to again on Tuesday, after nearly a week of temperatures over 103 degrees.

“Even if the moisture was doing well, the plant can’t operate efficiently when it gets over 100 degrees,” explained Steve Verett, chief executive officer for Plains Cotton Growers. “We need moderation in the temperatures, both day and night.”

Verett added, “Typically, our nights will cool off at least into the 70s, but we’ve been lucky to just get out of the 80s the last few nights.”

Verett said the region has lost anywhere from 70-to-75 percent of dryland cotton, mostly due to the lack of emergence, and about 15-to-20 percent of irrigated acres.

While there has been a slight increase in cotton prices, Verett said the market is not where producers need it to be.

Currently, cotton from December is being priced at 63 cents. Producers need prices to reach the 70-cent range in to cover costs.

Verett said part of this is due to lack of demand as the COVID-19 pandemic has continued.

“Textiles are not what most people are trying to spend money on right now, so demand is off significantly,” said Verett.
As cotton is starting to bloom, Verett said the demand for water will increase. How the crop turns out will ultimately depend on how the rest of the month shapes up with prices and weather.

“The cotton out there has held up relatively well with these extreme temperatures,” said Verett. “But, the next two weeks are critical.”

Source: lubbockonline.com—Jul 13, 2020

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**Vietnam: Plummeting exports threaten textile job cuts**

With global buyers canceling most orders, Vietnam’s textile and garment sector could see more job losses in the second half of the year. Textile production grew by 2.8 percent year-on-year in the first half of the year compared to 11.5 percent in the same period last year, according to a report by the Ministry of Industry and Trade.

Garment production fell 4.7 percent with the industry having difficulties sourcing raw materials and rapidly losing export orders to the pandemic.

Many export orders were canceled or delayed in May and June. In May, up to 50 percent of orders were canceled or postponed, and global prices fell 20 percent as a result of the plunging demand, it added.

A report by the Vietnam Textile and Apparel Association said 80 percent of businesses in the industry laid off personnel in April and May, and more cuts are expected in the third quarter. Le Tien Truong, CEO of the Vietnam National Textile and Garment Group, said the company’s revenues and profit have fallen by half.

The company is making efforts to retain as many of its staff as possible, but if the current situation persists for more than six months, cuts are probable, he said.

Most companies have shifted their focus from clothes to face masks to meet the rising demand globally. Vietnam exported 557 million masks in the first six months, with the U.S., Germany, Singapore and South Korea being the main markets, customs figures show.
But insiders said mask exports would not make up for the lack of garment orders. Truong forecast that in the worst case scenario textile and garment exports would fall by 23 percent this year to $30 billion.

Source: e.vnexpress.net – Jul 13, 2020

Inditex to invest €2.7 billion for 2020-2022 plan

Inditex, a Spanish fashion retailer, has announced that to accelerate and broaden its forward-looking digital transformation strategy for the 2020-2022, the group plans to invest €1 billion in bolstering the online business and a further €1.7 billion in upgrading the integrated store platform, deploying advanced technology solutions.

“This strategy is a culmination of the project the company has been investing in steadily and significantly since 2012, a project that will transform its profile notably. The overriding goal between now and 2022 is to speed up full implementation of our integrated store concept, driven by the notion of being able to offer our customers uninterrupted service no matter where they find themselves, on any device and at any time of the day,” executive chairman at Inditex, Pablo Isla, said in a press release.

Proprietary Digital Platform, an important aspect of the plan is Inditex’s Open Platform (IOP) project, which has involved creating the proprietary IT architecture over which all of the company’s digital operations run, it has been designed with a configuration to provide the quality, accuracy and immediacy the company’s business model requires.

Starting from the e-commerce platform, it layers in all the associated processes, including inventories, purchasing, distribution and orders, injecting flexibility and, vitally, scalability.

The group also stated that the platform, the configuration of which dates back to 2018, has proved its efficiency in a staggered implementation. It is currently 60 per cent operational and will be fully deployed between 2020 and 2022. It is one of the most technologically advanced platforms in its field and it is implemented through microservices to help the specific needs of every department or area involved in the process without changing the whole system.
Inditex reported 44 per cent sales decline to €3.3 billion in first quarter (Q1) FY20 ended on April 30, 2020 compared to €5.9 billion in same period prior year. However, its online sales during the quarter grew 50 per cent and 95 per cent in April alone. Group’s 88 per cent of stores were closed during the quarter.

Source: fibre2fashion.com– Jul 12, 2020

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Fear for garments job cut thrives in Philippines

In the absence of any recuperation workers in textiles, clothing and leather goods industries in the Philippines are afraid of losing their jobs over the next six months. Owing to the COVID-19 pandemic more than 20,000 employees were laid-off.

On 10 June, the tripartite council of the apparel and garment industry convened to assess the effect of the COVID-19 pandemic on the fashion and wardrobe sector in the Philippines. Massive job displacement, income loss and reduced working hours due to shortage and cancelation of orders are pressing issues.

According to employers’ organization Confederation of Wearable Exporters of the Philippines, more than 30 percent of employees at their member companies have been retrenched due to factory closures as many contracts and orders have been canceled and financial liquidity is running low.

Unions demand that government and employers put in place effective and reasonable steps to avoid further job losses and to protect the income of the workers.

The government needs to expand income security and assistance to the workforce affected, especially for those who remain temporarily unemployed. The unions also stress the need to observe safety and health protocols to ensure a safe workplace.

Source: textilefocus.com– Jul 14, 2020

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NATIONAL NEWS

Centre lifts export ban on textile raw materials for masks, coveralls

Ban continues for export of non-woven fabric for 25-70 GSM, melt-blown categories

The Centre has lifted the prohibition on export of all non-woven fabric used for production of masks and coveralls other than those in the 25-70 GSM (grams per square metre) and melt-blown categories.

In a notification put out on Monday, the Directorate General of Foreign Trade (DGFT) stated that the items will now be freely exportable. Export of non-woven fabric for 25-70 GSM and melt-blown fabric continues to be in the prohibited category, as per the communication.

The DGFT had prohibited exports of textile raw materials for masks and Personal Protection Equipment (PPE) coveralls in March 2020 as it feared that there might be a shortage of the items in the country that was fighting the fast-spreading Covid-19 pandemic.

However, after several representations were made to the government from exporters of textile fabric urging that exports be allowed as there was enough raw material for masks and coverall available in the country, the government reversed its earlier decision.

On June 29, the DGFT had allowed export of PPE coveralls subject to a cap 50 lakh units per month.

Source: thehindubusinessline.com– Jul 13, 2020

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India-EU Summit may take a fresh look at long-pending FTA

‘With new leaders at the European Commission and European Council, existing differences could narrow’

India and the EU may take a fresh look at the long-pending bilateral Broad-based Trade and Investment Agreement (BTIA) and see if a meeting ground could be reached and the talks taken forward when leaders meet at the India-EU Summit on Wednesday, an official source has said.

“With new leadership taking charge of the European Council and the European Commission, there is a renewed interest in the bilateral free trade agreement. This may get translated into the talks re-starting,” the source, aware of the agenda for the meeting, told BusinessLine.

Prime Minister Narendra Modi will represent India at the summit, to be held via video-conference, while the EU will be represented by European Council President Charles Michel and European Commission President Ursula von der Leyen.

Combating Covid

The other issues that would be discussed at the summit include the impact of the on-going pandemic on the economies of India and the EU and what should be the agenda of various global institutions to deal with the crisis, the official said.

The two will also review political and security relations and focus on things that can be done together.

The new chiefs of the European Commission and European Council took over in December 2019 bringing in a new vision of uplifting the EU’s status in the international arena to match the bloc’s contribution to the global economy and polity, the source said.

“The new EU leadership is also keen to redraw its relationship with important trade partners such as India. In fact, PM Modi was one of the first leaders that the new Presidents of the European Council and the European Commission spoke to after taking over. This gives us confidence that the EU would want to be less rigid on pending issues,” the source added.
Negotiations for India-EU BTIA, launched way back in 2007, were suspended in 2014 following major differences over key market access issues including automobiles, wines & spirits, dairy and also movement of professionals. Last year, the EU had expressed interest in exploring a bilateral investment protection agreement (BIPA) with India that would be delinked from the proposed free trade pact, but no agreement was reached.

The EU is India’s largest trading partner accounting for about $100 billion bilateral trade in goods and $40 billion in services, with India running a small trade surplus.

Source: thehindubusinessline.com— Jul 13, 2020

FM Sitharaman reviews implementation of Aatmanirbhar package

MSME support scheme loans sanctioned cross ₹ 1.20 lakh crore

In a short period of about one and a half months, loans sanctioned under the much talked about ₹ 3 lakh crore 100 per cent Emergency Credit Line Guarantee Scheme (ECLGS) to support MSMEs in these trying COVID-19 times have crossed ₹ 1.20 lakh crore mark.

Banks —both private and public sector banks (PSBs)—have as of July 9 sanctioned loans worth ₹ 1.20 lakh crore, while disbursements stood at ₹ 61,988 crore.

This is reflected in the latest review undertaken by the Finance Minister Nirmala Sitharaman on the implementation of AatmaNirbhar Bharat Package pertaining to Ministries of Finance & Corporate Affairs.

It may be recalled that Prime Minister Narendra Modi had on May 12 announced a special economic and comprehensive package of ₹ 20 lakh crore —equivalent to 10 per cent of GDP—to fight COVID-19 pandemic in India.

He had then given a clarion call for Aatma Nirbhar Bharat as a Self-Reliant India movement.
Progress so far

Giving a major relief to the local MSMEs, the Department of Expenditure has already ruled that no Global Tender Enquiry shall be invited for tenders upto ₹ 200 crore, unless prior approval is obtained from Cabinet Secretariat.

On the relief to contractors, the Department of Expenditure has issued instructions that (due to Covid-19 pandemic) on the invocation of Force Majeure Clause, the contract period may be extended for a period not less than three months and not more than six months without imposition of any cost or penalty on the contractor/concessionaire.

To support the financial position of the State Governments presently suffering from stress on account of revenue losses due to lock down, Department of Expenditure has allowed all State Governments for additional borrowing of 2 per cent of projected GSDP to the States in 2020-21 subject to implementation of specific State level reforms.

On the issue of the ₹ 45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFCs, the latest review showed that banks have approved purchase of portfolio of ₹14,000 crore and are currently in process of approvals/negotiations for ₹ 6,000 crore as of July 3.

As for the Rs 30,000 crore additional emergency working capital funding for farmers through NABARD, as much as ₹ 24,876.87 crore has been disbursed as on July 6, out of this special facility, an official release said.

Direct taxes

The Revenue Department had on May 13 announced the reduction in TDS rates for specified payments to residents and specified TCS rates by 25 per cent for transactions made from May 14, 2020 to March 31, 2021.

Between April 8 and June 30, the CBDT has issued refunds in more than 20.44 lakh cases amounting to more than ₹62,361 crore. Remaining refunds are under process, the release added.

On insolvency, the Corporate Affairs Ministry (MCA) is finalising a special insolvency resolution under Section 240 A of the IBC to provide relief to the MSMEs and the same would be notified soon, the release added.
 Besides raising the minimum threshold for IBC trigger to ₹ 1 crore, the Government had already suspended the initiation of Corporate Insolvency Resolution Process (CIRP) for a period of 6 months or such other period, not exceeding one year from such date (June 5).

Meanwhile, on the Special Liquidity Scheme for NBFCs/ HFCs, SBICAP has received 24 applications requesting financing of ₹ 9,875 crore as on July 7. The first application in this regard has received its approval and the remaining also are being considered, the release added.

**Source:** thehindubusinessline.com – Jul 13, 2020

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**Pakistan to allow Afghanistan to resume exports to India through Wagah**

Import from India will continue to be barred as the Pak-Afghanistan Transit Trade Agreement doesn’t provide for it

Pakistan had decided to allow Afghanistan to resume its exports to India through the Wagah border crossing from July 15 after implementing Covid-19 related protocols.

“With this step, Pakistan has fulfilled its commitments under the Pakistan-Afghanistan Transit Trade Agreement (APTTA). Pakistan has restored bilateral trade and Afghan transit trade at all border crossing terminals to the pre-Covid-19 status,” as per an official release from the Pakistan High Commission, New Delhi, circulated on Monday.

The decision to resume Afghan exports through Wagah from Wednesday, was taken at the special request of the Afghanistan government and with a view to facilitating Afghanistan’s transit trade, the release said.

The APTTA did not provide for imports from India into Afghanistan through Wagah, so they would continue to be excluded.

“Pakistan remains fully committed to further strengthening its bilateral relations with Afghanistan in all areas including trade, and to facilitate Afghanistan’s transit trade under APTTA,” the release said.
Pakistan had closed all its borders with neighbouring countries in March to check the spread of Covid-19.

Source: thehindubusinessline.com– Jul 13, 2020

**Garment exporters call for FTAs with EU, UK, US, Australia to push exports**

*Absence of trade pacts putting Indian exporters at a disadvantage, AEPC says in letter to PM*

Readymade garments exporters have asked the government to expedite free trade agreements with high potential markets such as the EU, the UK, the US, Australia and Canada which could lead to exports doubling in three years’ time.

In a letter to Prime Minister Narendra Modi, the Apparel Export Promotion Council (AEPC) pointed out that due to the pandemic, India’s principal export markets, including the US, the UK and Europe, were badly impacted. “An important area that can supplement your efforts in this direction is improving export competitiveness through a comprehensive review of India’s trade agreements, through a fast-tracked mechanism, with EU, UK, US, Australia and Canada,” A Sakthivel, Chairman, AEPC, wrote in the letter.

**Access issues**

Interestingly, India has been negotiating bilateral free trade pacts with the EU, Australia and Canada for the past many years, but the deals are nowhere near conclusion because of differences over market access issues for key products. Both India and the UK are keen to start talks on a bilateral FTA as soon as the latter has found its feet as a nation independent of the EU.

The Council pointed out that Indian apparel exports have a duty disadvantage of 9.6 per cent in the EU market as compared to competitors like Bangladesh, Cambodia, Sri Lanka and Pakistan. Most of these countries get duty concessions under schemes such as Generalised System of Preferences (GSP).
It further said that recently, Vietnam, too, concluded a FTA with the EU and most competitors were leveraging such FTAs in a big way to enhance their cost competitiveness.

**Level-playing field**

“There is an urgent need to have a level playing field in terms of market access and margin of preference in our biggest global market (the EU) and to rectify the distortion that we are suffering,” the letter said making a case for a similar or even better FTA with the UK as well.

An FTA with the US, which has a 27 per cent share in India’s total garments exports, may have a significant impact on India’s apparel exports to the country as on certain items like MMF-based apparel, which India is promoting, there is a peak tariff of 28 per cent.

The council also sought Comprehensive Economic Partnership Agreements (CEPA) with Canada and Australia. “Canada was earlier a very large market for India. We lost a substantial share of our exports because our competitors entered into trade agreements with Canada. With a CEPA in place we will be able to easily recapture the lost ground,” the letter said.

Garments is one of the top export items from India and is a labour-intensive sector, but AEPC has estimated that exports have plummeted 91 per cent and 66 per cent in April and May respectively due to the pandemic.

Source: thehindubusinessline.com– Jul 13, 2020

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**First container cargo export from India arrives at Pangaon port using inland waterway**

The maiden containerized cargo export from India to Bangladesh using inland waterways reached Pangaon International Container Terminal, Dhaka on July 12.

The barge MV Pruthvi carrying 45 twenty-foot equivalent units (TEUs) of sponge iron was flagged off on June 30 from Haldia Docks on its trip to Dhaka on Indo Bangladesh Protocol Route (IBPR).
Adani Logistics Limited in association with Five Star Logistics Private Limited shipped the cargo of Rashmi Cement Ltd and Orissa Metaliks Pvt Ltd.

The India-Bangladesh Protocol on Inland Water Trade and Transit (PIWTT) was signed in 1972 to allow free movement of goods between India and Bangladesh through specified routes linking domestic cargo movement between West Bengal, Assam and Tripura via Bangladesh as well as EXIM cargo movement from India to Bangladesh.

Strengthening of PIWTT from time to time by both India and Bangladesh indicates the vision for future trade between these two countries as well as to the North Eastern States. The success of landmark container export cargo consignment has provided importers and exporters of India and Bangladesh an alternative to roadways and railways.

Currently, the majority of the exports and imports through the West Bengal region to Bangladesh is taking place through Petrapole (India) and Benapole (Bangladesh). Petrapole is one of the largest Land Customs Station (LCS) in Asia, handling a trade of more than US$ 2.5 billion.

“Previously, we had completed the domestic containerized movement between Haldia - Patna on NW1 and Haldia – Guwahati on NW2 (using IBPR). The success of containerized movement from Haldia to Guwahati on NW2 (using IBPR) has generated keen interest with the importers/exporters of both India and Bangladesh to extend its usage for EXIM cargo movement. One vessel movement is equivalent to 64 or more trucks. Thus, inland waterways provide a competitive alternative to current road-based movement of goods through Petrapole ICP,” Adani Logistics said in a statement.

“Containerized movement of sponge iron is a safer alternative as compared to carrying the cargo in bulk/break bulk,” said Anil Kishore Singh, CEO – Inland Waterways of Adani Logistics.

Pre Covid-19 lockdown, the ICP at Petrapole used to handle about 500-550 trucks from India and about 100-150 trucks from Bangladesh every day.

Exporters/importers of both the nations have been looking for alternative transportation options to avoid congestion, delays and multiple handling of cargo at Petrapole ICP which jacks up the cost.
Bulk commodities such as Fly Ash, Stone Aggregates, and Project Cargo etc. are already being moved from India to Bangladesh using inland waterways. Containerized cargo movement is an essential addition for making inland waterways an eligible candidate for high-value goods too, Adani Logistics said.

Source: thehindubusinessline.com— Jul 13, 2020

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**India mustn’t rush into slapping all imports with labels of origin**

About 100 years ago when Mahatma Gandhi called for a boycott of English textiles, those who heeded his patriotic call faced all manner of hardship, but they probably did not face difficulty in identifying the textiles they were to boycott. However, those who wish to boycott goods from particular countries today have an immediate practical problem—free trade and globalization have made the determination of “economic nationality" of manufactured goods very complex and difficult.

Boycotts are not the only reason—or even the primary reason—for rules of origin to exist. Free Trade Agreements (FTAs), anti-dumping actions, and preferential tariffs are impossible to implement without some sort of rules of origin.

Raw materials from country A, B and C are semi-processed in country D, and then assembled as product X in country E. So what is the nationality of product X? The answer is that it depends on the criteria one chooses to make the determination. These criteria are defined in the “rules of origin", which vary from country to country and treaty to treaty. Article IX of the World Trade Organization Agreement provides that “marks of origin" should ideally be placed at the time of import.

For example in 2005, India’s government issued custom rules to determine which goods could take advantage of the Singapore-India Comprehensive Economic Cooperation Agreement; it provided that the treaty would apply to goods either wholly manufactured in one of the territories, or at least 60% of the free-on-board value of the product finally manufactured would belong to such a territory, and that there would be a change in tariff classification
from the point at which the product entered the territory. There are formulae to calculate this.

India’s agreements with Chile and the preferential trade agreement with the Mercosur customs union appear similar. The India-Japan free trade agreement (FTA) calls for a qualified value content of not less than 35%. The arcane rules of calculation also provide an opportunity for exporters and manufacturers to game the system and show goods to be manufactured from a particular country merely to take advantage of preferential tariffs or an FTA.

The sheer proliferation of FTAs by nations worldwide has led to what Jagdish Bhagwati has termed the “spaghetti bowl effect”. International harmonization of rules of origin has been an on-going project since the 1990s. Unsurprisingly, given the number and complexities of the trading practices of some 190 countries, not much progress has been made. After many years, there seems to be a consensus on the rules of origin for Least Developed Countries, which is the lowest hanging fruit in international trade. But it seems unlikely that there will be harmonized rules of origin for all products anytime soon.

If this is not complicated enough, rules of origin also have a nasty way of embroiling trading nations in issues of territorial boundaries and disputes of third states. The European Court of Justice determined that goods manufactured in the West Bank or Gaza Settlements could not be labelled as Israeli goods under the EU-Israel agreements, naturally leading to great dissatisfaction from the Israelis. How would India treat goods made in Crimea for example?

With effect from 2018, Rule 6(aa) was inserted in the Legal Metrology (Packaged Commodity) Rules 2011, to require that packaged products convey the country of origin or manufacture or assembly in case of imported products. Unfortunately, no further guidance appears to have been provided on how this is to be implemented for all packaged commodities.

Is the place where the product is imported from sufficient to meet this requirement? This seems unlikely. Many products are imported from third countries where they are neither manufactured nor assembled. Suppose goods have been imported to India from country Y, which in turn imported them from country X. The labelling and origin of such a product would conform to the rules or origin as they apply in country Y, which may or may not be the rules of origin as they apply in India to that particular product.
Thus every importer would have to do a very careful due diligence to make a truthful declaration of the rules of origin as they apply to the product in India.

Further, Rule 6(aa) adds to the complexity because the country of manufacturing, assembly and origin can each be distinct, depending on the criteria chosen to make such determination.

There can be little doubt that an accurate declaration of the origin of products aids consumer choice. However, a knee-jerk reaction that puts a difficult burden on traders and importers is not advisable. Before implementing any directions regarding the declaration of the origin of imported products, the government must understand the complexity of the situation as well as the state of our law. Our laws must formulate clear rules about how the origin of products is to be determined for purposes of metrology, and must provide guidance on what importers need to do to comply.

Boycotting is a perfectly valid way of influencing national behaviour, as the example of apartheid in South Africa showed. However, to be effective, it must be done right.

Source: livemint.com– Jul 13, 2020

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Boosting India-Bangladesh railway network connectivity; win-win for both sides

India and Bangladesh are initiating a major step towards smoother trade connectivity through the railway network that is a potential game-changer and win-win for both sides. Bangladesh railways had increased its monthly allocation of freight trains to Indian railways by approximately thirty-three percent for the month of June.

In the backdrop of this for the first time the Indian Railways ran special parcel train beyond the country borders to Benapole in Bangladesh with Dry Chillies from Reddipalem in Guntur District of Andhra Pradesh state. The Ministry of External Affairs played a key role in this initiative.
Guntur and its surrounding areas in the state of Andhra Pradesh are well known for Chillies cultivation. The quality of this farm produce is internationally renewed for its uniqueness in taste and brand.

Earlier, the farmers and merchants in and around Guntur area have been transporting Dry Chillies by road to Bangladesh in small quantities and that was costing around Rs 7000 per tonne. During the lockdown period, they could not move this essential commodity by Road.

Then Railway staff and Officials approached the consignors and explained the facilities to transport by Rail. Accordingly, they have moved the Dry Chillies by Rail in bulk through goods trains. But for moving the consignment by Goods trains, it is mandatory for the farmers and merchants to mobilise the quantity in bulk i.e. at least more than 1500 tonnes in each trip.

To mitigate this problem and to facilitate the Rail users to move their quantities in smalls i.e., up to a maximum of 500 tonnes in each trip, Guntur Division of South Central Railway took the initiative and moved the Special Parcel Express to Bangladesh. This has helped the farmers and merchants of Guntur to market their farm produce beyond the country border by transporting the Dry Chillies in small quantities through Special Parcel Express.

Accordingly, one Special Parcel Express train consisting of 16 Parcel Van moved to Benapole in Bangladesh. Each Parcel Van was loaded with 466 Dry Chillies bags, weighing around 19.9 Tonnes and the total weight carried by the Special Parcel Express is around 384 Tonnes. The cost per tonne for carrying by Special Parcel Express is Rs. 4,608 and which is very cheap and economical as compared to Road transport which is amounting to Rs. 7,000 per tonne.

ET has learnt assuming that the movement of onions is happening from Nasik to Petrapole- Benapole, freight rate per tonne using rail is approx Rs 1300- 1700 per tonne as opposed to transportation via lorry where the cost is approx Rs 7000 per tonne; more than five times. Better logistical chain management will result in significantly reducing cost for consumers. The time taken to travel by road (Nasik -Petrapole) is 6-7 days whereas via rail depending on the type of freight train time taken will be between 25 hours to 55- 60 hours.
Train should become a mode of transport for both import and export between India and Bangladesh. India and Bangladesh ensured movement of essential commodities during holy Ramadan period and train came in handy for the purpose. India shares its biggest land boundary with Bangladesh and there are several opportunities to connect rail with inland water transport network that could transform regional and sub-regional trade.

“Both India and Bangladesh will regain huge benefits from the revival of old railway links, which used to be the lifelines of Assam and East Bengal Railways. By 2025, all capitals of India's Northeastern states will be linked by railways. We need a perspective plan for this connectivity to be more effective by keeping the whole region in mind.

Along with its linkages with other modes of connectivity, this can proactively address our traditional as well as non-traditional security challenges in that region,” according to Bipul Chatterjee, Executive Director, The Cuts International, a global public policy think- and action-tank promoting consumer welfare through trade, regulations and governance.

The landmark railway line, connecting the northeastern region with Bangladesh, will be ready by the end of 2021. When the construction of the railway line, between Agartala in Tripura and Akhaura in Bangladesh, will be completed, it will pave the way for running the first train from the northeast to Bangladesh on the eve of the 75th year of India's independence in 2022.

Source: economictimes.com – Jul 13, 2020
'Duty-free' hits a fifth of manufacturing imports, says WTO report

Duty-free imports remain prominent in almost a fifth of inbound manufacturing categories, despite average tariffs in India being much higher than other major countries, a report by the World Trade Organization (WTO) has revealed.

As high as over 30 per cent of electrical machinery imports, 19 per cent of non-electrical machinery, and 18 per cent of various types of manufactured goods came to India as of 2018 through the duty-free route, according to the World Tariff Profile 2020.

While the government has since then gone on a tariff hike spree, officials feel the figures strengthen the case for deeper scrutiny into India’s existing free-trade agreements (FTAs) to stop imports from coming in. As of now, duty-free benefits are accorded to imports from nations with which India has various trading agreements.

Focus on Asean

“While China has remained the major target of New Delhi’s push for import substitution in all these categories, the WTO data shows that imports have continued to pour in from nations for which duties on goods have been waived. These are usually the Association of Southeast Asian Nations (Asean) economies,” a senior official said.

Over the past two years, New Delhi has aggressively implemented the phased manufacturing programme, which pushes for large-scale domestic manufacturing of consumer goods like mobile phones, televisions, and computer hardware. This has been done through progressively higher duties on imported goods. On the other hand, machinery products and components have been identified as a key sector for providing incentives for domestic manufacturing.

In November, the government said it had begun reviewing the FTA with Asean that could include issues like customs procedures, further liberalisation of trade in goods and exchange of data. “India hasn’t been able to crack into the Asean market despite having an agreement. The Asean economies are known for erecting non-tariff barriers. Domestic firms also
have to compete with cheap Chinese products,” trade expert Biswajit Dhar said.

INDIA’S AVERAGE IMPORT DUTIES REMAIN AMONG THE HIGHEST

<table>
<thead>
<tr>
<th>Country</th>
<th>Average import duties charged by India (%)</th>
<th>Average share of duty-free import categories among all imports (%)</th>
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</thead>
<tbody>
<tr>
<td>India</td>
<td>17.6</td>
<td>71.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>13.4</td>
<td>82.7</td>
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<tr>
<td>China</td>
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<tr>
<td>Russia</td>
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</tr>
<tr>
<td>US</td>
<td>4.8</td>
<td>97.4</td>
</tr>
</tbody>
</table>

The WTO’s publication is jointly prepared with the United Nations Conference on Trade and Development and the International Trade Centre. The report shows India’s share of binding coverage, a broad indicator of a country’s commitment to establish bound rates for imports and by extension slowly reduce tariffs, was 74 per cent, lagging China’s 100 per cent.

The global trade law for the 164 WTO members prohibits discrimination on the basis of tariffs. But, in-practice bound tariffs are not necessarily the rate at which members charge taxes on another country’s products, with the ‘applied tariff rate’ — less than or equal to the bound rate — being opted for.

Developed economies like the US and the EU have had lower duties, working on eventually eliminating all tariffs on imports. On the other hand, nations like India and Brazil have had to compromise between lowering import duties to participate more in global trade while at the same time protect its own industries by keeping in place import restrictions.


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India to further ease FDI norms, reforms in pipeline

India is looking at further easing foreign direct investment (FDI) norms and allowing investments in certain sectors that continue to have restrictions, according to commerce and industry minister Piyush Goyal, who recently told the India Global Week 2020 Summit that the government will also come out with a new industrial policy and a forest policy soon.

"We are looking at the banking sector and capital market reform, so the agenda is vast and we are open to new ideas", Goyal said.

"Further work on improving the ease of doing business are also ongoing with the ministry working on simplifying domestic approvals and beaureacratic processes", he was quoted as saying by Indian media reports.

The new industrial policy will absorb the 2011 National Manufacturing Policy and focus on technological issues of Industry 4.0, apart from furthering the government’s push of the Digital India initiative, according to the department for promotion of industry and internal trade (DPIIT).

The government had offered to begin trade talks with both the United Kingdom and the European Union after the Brexit exercise was over, the minister added.

Source: fibre2fashion.com– Jul 13, 2020

How severe is the bad loan shock awaiting Indian banks?

How severe will be the bad loan shock awaiting Indian banks once the moratorium period allowed by the Reserve Bank of India (RBI) is lifted? Two key trends — the recent capital raising spree by a clutch of private sector banks and the warning by RBI Governor Shaktikanta Das last week — have alerted banking analysts.

Das asked banks to shore up their capital and tighten risk assessments to face bad times. Most analysts and bankers Moneycontrol spoke to expect an unprecedented spike in non-performing assets (NPAs) in unsecured loans and loans to small companies once the moratorium period is over. RBI
granted a six-month loan moratorium to all term loan borrowers to avert a sudden spike in defaults, which ends next month.

How bad will be the shock?

“My take is about 5 percent of the total moratorium loans could turn into NPAs,” said Jaikishan Parmar, Analyst at Angel Broking. “The big pain will be seen in loans given to micro, small and medium enterprises (MSMEs) and unsecured loans,” he added.

But there are others who predict worse scenarios. For instance, global rating agency, Standard and Poor’s expects gross NPAs of Indian banks to spike to 14 percent in FY21 from around 8.5 percent in FY20. “The COVID-19 pandemic may set back the recovery of India’s banking sector by years, which could hit credit flows and ultimately, the economy," the agency said in a note last month.

Last week, while speaking at SBI Banking Conclave, Das said banks need to prepare for bad times as NPAs are likely to spike on account of COVID-19. He stressed on the fact that banks need to augment their capital base to build a buffer.

Indian banks already have high NPA levels. Total gross NPAs of banks stood around 8.3 percent in March compared to 9.1 percent in the same period last year. NPA level have come down in recent months, but that trend is unlikely to sustain due to the pandemic. In December last year, RBI had predicted NPAs to spike to 9.9 percent by September. But that was prior to the COVID-19 pandemic.

“It is certain that there will be a spike in NPAs from current level. I would not like to put a number as it is difficult to estimate,” said Sanjay Agarwal, Senior Director at CARE Ratings.

Banks build a war chest

A number of private banks -- including ICICI Bank, HDFC Bank, Axis Bank and Yes Bank -- have announced plans to raise capital even though they have adequate capital levels. Analysts attribute this partly to expectations of an asset quality shock in the post moratorium period.

HDFC Bank recently said it plans to raise up to Rs 50,000 crore via unsecured perpetual debt instruments, Tier II capital bonds and long term
bonds in the domestic market. ICICI Bank plans to raise as much as Rs 15,000 crore in capital via shares or equity-linked securities. Axis Bank plans to raise up to Rs 15,000 crore and Yes Bank, which was recently bailed out by a bank consortium, aims to undertake a follow on public issue of Rs 15,000 crore. That apart, there are other banks, including government banks, which want to raise substantial capital.

In fact, most of these banks had already made substantial upfront provisions to provide a cushion against COVID-19 in the fourth quarter of FY20 itself. “Part of this capital raising exercise could be aimed at taking care of unexpected hike in NPAs while part of it will be used for growth capital,” said Agarwal of CARE Ratings.

In a recent note, Emkay Research said delinquencies in personal, two-wheeler and commercial vehicle loans may accelerate going forward, which, coupled with slower credit growth, will boost NPAs. “Retail GNPA ratio for banks under our coverage stood at 1.5 percent in FY20, which could potentially inch up to 3.5 percent in FY21 with some spill-over effect even in FY22, though better clarity on possible trend could emerge once the moratorium is lifted,” the note read.

**Moratorium loans remain tricky**

On an average, banks have extended the moratorium to at least a quarter of their loan book in the second round (June-August). The quantum of moratorium loans was much higher in the first round (March-May).

However, with the economy opening up gradually, less number of borrowers have opted to defer their EMIs. Even then, the amount of loans that are under moratorium is significant. According to a report by Mint, state-run lenders alone have close to Rs 8 lakh crore loans under moratorium. The country’s largest lender, State Bank of India (SBI), said that even if 5-10 percent of these loans turn NPAs, it could substantially add to the stress in the banking sector.

Banks are unable to assess the exact nature of the stress on their books due to the moratorium. Hence, the only way to prepare for a possible spike in bad loans is to augment capital and make upfront provisions. “It is too uncertain to make an estimate. The honest answer is I don’t know,” said a senior banking executive when asked about the house estimate on NPAs. Not all moratorium loans are stressed.
COVID stress tests

Das has asked banks to undertake COVID stress tests on their portfolios and focus on building buffers and risk-management. These measures, which are already underway, could help Indian banks face the eventuality of a second NPA wave.

Post the massive bad loan clean-up exercise initiated by Raghuram Rajan in 2015, the industry had seen a major increase in NPAs in just four years to Rs 9 trillion from about Rs 2 trillion.

“We have recently advised all banks, non-deposit taking NBFCs and all deposit-taking NBFCs to assess the impact of COVID-19 on their balance sheet, asset quality, liquidity, profitability and capital adequacy for FY21,” Das said.

“Based on the outcome of such stress testing, banks and non-banking financial companies have been advised to work out possible mitigating measures, including capital planning, capital raising, and contingency liquidity planning,” Das added.

While stress testing is welcome, continuing uncertainty on the extent of the COVID crisis makes it difficult for banks to make a thorough assessment, bankers said.

What happens if NPAs spike? If NPAs shoot up, banks will have to set aside huge provisions to cover likely losses. Under RBI norms, banks have to make provisions and this varies depending on the deterioration in asset quality. A loan account where there is no possibility of recovery left may need up to 100 percent provisioning. High bad loans and subsequent provisioning impacts profitability of banks and weakens their balance sheets.

Source: moneycontrol.com – Jul 13, 2020
Jawaharlal Nehru Port gets regulator’s nod to hike rates

Implementation could be deferred due to weak market conditions

State-owned Jawaharlal Nehru Port Trust (JNPT) has won large rate hikes from the tariff regulator at a time when its volumes have plummeted by 31.38 per cent during the first quarter, putting the port authority in a dilemma over implementing the hike.

The Tariff Authority for Major Ports (TAMP) has approved a rate hike of 19.03 per cent in vessel related charges (VRC) and 22.56 per cent each in container, bulk and liquid cargo related charges for a three-year period beginning August 3.

The rates approved by the regulator will be indexed annually to the wholesale price index (WPI), a measure of costs, to the extent of 100 per cent.

Vessel-related charges comprise port dues, berth hire and pilotage and are collected from ships calling at the port.

The rates approved by the regulator are ceiling rates and the port has the flexibility to charge lower rates, according to government rules.

On back burner?

The rate hikes were opposed by the port users during the consultation process and JNPT has indicated that it may defer the implementation of the increase due to the market conditions.

“If the emerging market conditions demand that the upward revision need to be deferred or rebates to be given on its revised rates, for growth of business or to sustain the existing business, such proposal can be decided by the Board of Trustees of the port at the appropriate time,” JNPT said.

Cargo volumes dip

During the April-June quarter of FY21, JNPT handled 12.099 million tons (mt) of cargo, a drop of 31.38 per cent on the 17.631 mt handled during the same period last year as the pandemic roiled global trade.
The container volumes handled by the port plunged 35.14 per cent during the first quarter to 847,849 twenty-foot equivalents units (TEUs) from 1.307 million TEUs last year.

**NSICT rate hike**

On April 17, Dubai’s DP World-run Nhava Sheva International Container Terminal (NSICT), one of the five terminals operating at JNPT, won the backing of TAMP to raise rates in the range of 50 to 138 per cent in various services for a three-year period beginning May 17. The rates will automatically rise every year because it is indexed WPI to the extent of 60 per cent.

NSICT handled 122,690 TEUs during the April-June quarter.

The rates are worked out on the basis of the annual revenue requirement (ARR). The ARR (a cap) is the average of the actual expenditure for the past three years plus 16 per cent return on capital employed (ROCE).

The 16 per cent ROCE will be calculated on gross fixed assets. It also includes capital work in progress and working capital.

Source: thehindubusinessline.com– Jul 13, 2020

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**E-com to play a key role in apparel sector success: NPD**

E-commerce will continue to play a strong role in the apparel industry’s success, particularly while the in-store shopping experience feels different from what consumers are accustomed to, according to the ‘Future of Apparel’ report by The NPD Group, which found in June that more than half of the planned apparel purchases of US consumers for the next two weeks would be made online.

This is supported by NPD’s checkout receipt harvesting research, which showed online purchase activity across key softlines channels holding steady at 50 per cent above pre-COVID-19 levels in the first half of June, even as store activity increased.
“The pandemic forced an increase in online shopping out of necessity, and the result was a stronger connection with the apparel consumer,” said Maria Rugolo, apparel industry analyst at The NPD Group. “Consumers have embraced new shopping habits.”

US apparel has been one of the hardest hit general merchandise industries during the COVID-19 pandemic, with year-over-year dollar losses nearing 45 per cent in the three months ending May 2020. But online shopping has been an increasing source of optimism as apparel e-commerce unit sales increased 30 per cent compared to last year, and dollars grew 4 per cent.

Brick-and-mortar stores are reopening, restoring the consumer’s ability to touch and feel clothing before making a purchase, but the shopping experience will feel different.

In May, nearly a third of consumers said they would be uncomfortable with shopping in a store once stay-at-home orders related to the pandemic were relaxed, according to a press release from the group.

Every retail channel has seen online unit growth during the pandemic, but much of apparel’s online momentum during the pandemic has come from the mass and athletic specialty channels.

Source: fibre2fashion.com– Jul 13, 2020

Amazon pumps fresh fund of ₹2,310 cr into India unit

Amazon has infused fresh capital to the tune of ₹2,310 crore into, Amazon Seller Services, one of its units in India, according to regulatory documents filed with the corporate affairs ministry. Amazon Corporate Holdings and Amazon.com have made the investment in the unit. Amazon Seller Services board of directors passed the resolution at its June 25 meeting.

The fund infusion is likely to push the company’s efforts to grow its seller network in India after COVID-19-induced business disruptions.

Amazon founder Jeff Bezos had announced $1 billion (over ₹7,000 crore) investment in India in January this year to help bring small and medium
businesses online. Previously, it had committed $5.5 billion investments in India.

The board of Amazon Seller Services had passed a resolution in January this year to allot shares worth about ₹2,208 crore to Amazon Corporate Holdings and Amazon.com Inc. About ₹355 crore was pumped into Amazon Data Services India as well.

Amazon Seller Services narrowed its loss 9.5 per cent year on year to ₹5,685 crore for fiscal 2018-19. Revenues surged by 55 per cent to ₹7,778 crore in 2018-19, according to a news agency report.

Source: fibre2fashion.com – Jul 13, 2020