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INTERNATIONAL NEWS

WTO chief steps down before term expires for personal reason

The head of the World Trade Organisation says he will leave his post a year before his term expires, an unprecedented mid-term resignation at the WTO that he called a 'personal decision'.

Roberto Azevedo, a former diplomat from Brazil, said he will step down on August 31, cutting short a seven-year tenure marked in recent years by intense pressure from US President Donald Trump, who accused the Geneva-based trade body of an anti-US bias and other complaints.

Source: financialexpress.com- May 14, 2020

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International Collaboration Develops Innovative Face Mask for COVID-19

As industries in India and other economics slowly resume their manufacturing activities, social distancing and strict hygiene practices have become a new normal. This has enhanced the need for hand sanitizers, gloves and face masks. Industries are looking for innovative ways to survive by repurposing their capacities that can cater to meeting the COVID-19 situation.

Interestingly, collaborations are evolving between different industries such as shoe manufacturing, textiles and cotton.

Arrow Brogues, Pvt. Ltd., a shoe manufacturer in Ranipet, India, is collaborating with the Nonwovens and Advanced Laboratory at Texas Tech University and Chennai-based WellGro United to develop filtering and fashionable face masks.

Arrow Brogues has been manufacturing shoes for 20 years, catering to Indian and foreign markets such as Italy, Germany and United Kingdom. The new masks, which use nonwoven cotton as the core filter substrate, are released under brand name H.F. Journey. The design expertise of Arrow

Brogues has been valuable in the development of H.F. Journey masks, and WellGro United supplies the core filter substrate for the masks.

“We understand the need for protection technologies and hence sought the collaboration with Texas Tech University in developing masks that have functionality and fashion sense,” stated Velayutham Pandy, managing director of Arrow Brogues.

The project showcases timely innovation, as it has repurposed the cotton nonwoven technology to develop filter substrate. “This is a milestone for WellGro United, as it has created a new vertical in our line of products which find timely use,” stated Nambi Srinivasan, vice president marketing of WellGro United.

It is pleasing to report cotton is finding new applications in the current COVID-19 scenario, enabling a few timely innovations.

Source: cottongrower.com - May 14, 2020

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Associations urge cotton, textile sectors for joint action

The Better Cotton Initiative (BCI), UK-based Committee for International Cooperation Between Cotton Associations (CICCA) and International Cotton Association (ICA), US-based International Cotton Advisory Committee (ICAC) and Switzerland-based International Textile Manufacturers Federation (ITMF) recently called for collaborative action from the cotton and textile sectors during the COVID-19 crisis.

The loss of demand resulting from COVID-19 and the preventative measures that are being applied throughout the world affects the cotton and textile sectors from end to end, ICA said in a press release.

“It is essential for each trading partner to be mindful of each other’s position. We must strive to find mutual agreements which keep in mind our shared commitment to the long-term health of the international cotton and textile trade, and to the principles of fair and equitable trading practises on which it is built,” the presss release said.

The organisations urged all those engaged in the cotton and textile value chains to commit to take action that contribute to the recovery of the sectors starting 2021; communicate, collaborate and be responsive to the needs of their counterparties; continue to respect the trade rules that govern the sectors; recognise and publicise positive behaviours; and identify and call out negative, counter-productive commercial behaviours.

“The constraints we are currently facing will pass and many of the freedoms that we are used to are likely to return before too long. We have confidence in the future of our industry,” the press release added.

Source: fibre2fashion.com - May 14, 2020

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Global trade of polyester synthetic staple fibres to fall

The global trade of synthetic staple fibres, not carded, combed or otherwise processes for spinning of polyesters have shown a sharp decline in 2019. Total trade fell 1.18 per cent from 2017 to 2019, according to data from TexPro. The global trade of synthetic staple fibres of polyesters was $8,697.46 million in 2017, declined to $8,594.73 million in 2019.

The total trade of synthetic staple fibres of polyesters decreased 14.86 per cent in 2019 over the previous year and is anticipated to drop to $8,443.13 million in 2022 with a rate of 1.76 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of synthetic staple fibres of polyesters was $4,260.65 million in 2017, which was slightly down 0.79 per cent to $4,226.82 million in 2019. Total exports slipped 15.17 per cent in 2019 over the previous year and is expected to decrease to $4,176.58 million in 2022 with a rate of 1.19 per cent from 2019.

The global import value of synthetic staple fibres of Polyesters was $4,436.82 million in 2017, which reduced 1.55 per cent to $4,367.91 million in 2019. Total imports decreased 14.56 per cent in 2019 over the previous year and is expected to decrease to $4,266.54 million in 2022 with a rate of 2.32 per cent from 2019.

China ($1,043.16 million), South Korea ($881.41 million), Thailand ($370.25 million), Taiwan ($363.49 million) and India ($295.11 million) were the key exporters of synthetic staple fibres of Polyesters across the globe in 2019, together comprising 69.87 per cent of total export. These were followed by Indonesia ($282.30 million), Ireland ($211.67 million) and Malaysia ($144.72 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Thailand (43.00 per cent) and India (39.19 per cent).

US ($521.38 million), Germany ($272.46 million), Italy ($268.56 million) and Turkey ($264.26 million) were the key importers of synthetic staple fibres of Polyesters across the globe in 2019, together comprising 30.37 per cent of total import. These were followed by UK ($243.50 million), China ($242.41 million) and Spain ($225.49 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by Turkey (14.44 per cent).

Source: fibre2fashion.com - May 14, 2020

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It's back to business for fashion retailers as dust over COVID-19 begins to settle

As the dust over COVID-19 begins to settle down, fashion retailers, who buckled out of business or downsized considerably some like Warehouse, UK, Oasis, Cath Kidston, Laura Ashley, John Lewis, and others declared themselves bankrupt and many others like Debenhams, Arcadia Group, JCPenney, Nordstrom, J Crew, are itching to get back to business.

Reopening malls, stores a sign of positivity

US mall owner and operator, Simon Property Group, announcedorders its decision to open malls across nearly a dozen states with safety measures in place. Non-essential stores including those selling garments in Italy and Germany too have been allowed to reopen with strict social distancing norms. Indeed, the news of reopening stores is bringing positivity to the market

Wall Street predicts that by mid-May, a large number of stores would open for business. Besides, fashion apparels and textiles, a new category to be added to the portfolio of these retailers includes medical textiles. Many retailers like Impulse India are exploring in export opportunities in mask and other PPE items.

COVID-19 outbreak gave consumers ample time to scroll through social media channels which further increased their engagement with apparel and fashion brands. A recent report, titled 'Effects of the COVID-19 Outbreak on Fashion, Apparel, and Accessory Ecommerce' reveals a noticeable reduction in the number of orders and total sales across all countries from around March 7.

Enquiries and orders roll in

However, there has been some improvement in the figures since then as online fashion retailers are adapting to the crisis. The report also highlights that consumers continue to browse for fashion products, offering opportunities for retailers. This indicates a positive sign for factory owners who have confirmed that some orders are trickling in. As Sameer Thapar, Managing Director, Montrose says orders are coming in mostly from the departmental stores like Walmart, Costco and similar establishments, as they are the ones that are still open with customers walking into them for groceries, and then in turn, are also buying some apparels too.

Buyers are asking for deliveries of basic apparels, reveals Gurminder Matharu, Country Head, Colveta India which is getting actual orders for Bangladesh while also getting enquires for India. Most stores are stocking merchandise for Fall season. As Rakesh Saigal, CEO, Orange Sourcing, informs, the product that is still selling well is loungewear tracks, which is mostly because people are indoors.

As many stores across the Northern Europe have now opened, people are gaining confidence that A/W orders and production can be proceeded but with more conviction, hence many factories that opened are working on A/W collections, says Sanjay Thakur, Division Manager – Global Sourcing, Superdry.

Meanwhile, buying offices have been getting good orders for products in the home segment. This could be attributed to the stay indoors' phenomena, where people are investing in home products. The categories for which retailers are getting orders are mostly handicrafts, furniture and home textiles, says Sanjeev Jain, Managing Director, TQM Global Buying.

The in-home segment in all major centers – Moradabad, Saharanpur, Jodhpur and Panipat – has confirmed receiving good orders, and once the lockdown is lifted, the quantities of its shipments are expected to rise. However, a big challenge that awaits these retailers is bringing back those laborers who have gone back to their villages during the lockdown.

Source: fashionatingworld.com- May 14, 2020

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Pakistan: Cotton business likely to resume fully after Ramazan

Traders are hopeful that activities on cotton market will fully resume after Ramazan. Market sources told that after the easing of lockdown by the government trading has started but it will fully resume after Ramazan.

Cotton Analyst Naseem Usman told that people associated with the cotton business as well as farmers has welcomed the decision of the Economic Coordination Committee (ECC) of the Cabinet of approving a multi-billion agriculture package of providing the farmers subsidy on fertilizers, reduction in bank mark-up on agriculture loans, subsidy on cotton seed and white fly pesticides and sales tax subsidy on locally manufactured tractors.

Naseem said that under the agriculture package, reduction in mark-up of agriculture loans to farmers at the total cost of Rs. 8.8 billion and subsidy on cotton seed at a cost of Rs 2.3 billion and white fly pesticides at a cost of Rs 6 billion were approved. The package would also include Rs 2.5 billion subsidy on sales tax on the locally-manufactured tractors for a period of one year.

While quoting the USDA Monthly Supply/Demand Report Naseem said that It was highlighted with an especially optimistic outlook for a strong recovery from COVID-19. USDA increased world consumption by 11 percent for the 2020/21 season to 116.46 million bales. That came as a surprise to most analysts. Furthermore, USDA did not lower the 2019/20 world consumption as much as expected, cutting it by 5 percent to 105.00 million bales. Some analysts question whether consumption can even reach 100 million bales.

World production for 2020/21 was projected at 118.95 million bales; down from the 2019/20 estimate of 122.67 million bales. World ending stocks for 2020/21 were placed at 99.43 million bales; up from 2019/20 of 97.16 million bales.

Naseem Usman said that Spot Rate remained unchanged at Rs 8600 per maund. The rate of cotton in Sindh and Punjab is in between Rs 7000 to Rs 8600 per maund. The rate of polyester fiber was decreased by Rs 3 per kg and was available at Rs 157 per kg.

Source: brecorder.com- May 14, 2020

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Pakistan: Exporters urged to adapt to global changes post-coronavirus

Adviser to Prime Minister on Commerce Abdul Razak Dawood has stressed the need to exploit economic and trade opportunities expected in the global market post-coronavirus pandemic.

“We perceive and expect more opportunities to promote bilateral trade and strengthen linkages with potential markets, including the European Union, China, Central Asian states, Middle East and Africa, once the pandemic is over,” he said in an exclusive talk with APP on Thursday.

He stated that coronavirus has changed the world and that business processes would now be completely different. “Such difficult periods always bring out new opportunities, products, and new ways of thinking,” he opined.

Dawood further said that the government was equally focusing on all sectors of the economy, including textile, non-textile, agriculture and engineering sectors, in order to build the country’s export potential in the coming months.

Talking about the external trade situation during the past three months, he said Pakistan's export situation was not good, as they declined by around 54pc in April 2020 as compared to the same month of last year. In the first 10 months (July-April) of the current fiscal year (FY20), the overall exports declined by four per cent as compared to the corresponding period of last year.

"The exports had increased by 13pc in February, however, they started reducing from March, following the closure of global markets, declining by 6.5pc as compared to March last year." However, the adviser said, even during the current lockdown situation, Pakistan exported textile and non-textile products while the country's food exports also increased, especially to the Middle East.

Likewise, he added, exports in steel articles also increased in the last three months despite critical situation. On a question regarding the current account deficit, the adviser said a $6 billion decline was expected in the coming fiscal year owing to an improvement in the country's balance of trade.

Dawood said the government was prioritizing to promote 'Made in Pakistan' policy to boost local production, reduce dependence on import and enhance exports. "An agenda in this regard is already with the Economic Coordination Committee (ECC) of the Cabinet," he added.

Talking about the tariff structure, he informed that the Ministry of Commerce was pursuing to bring changes in the tariff structure for the upcoming fiscal year to facilitate local production and thereby move towards local manufacturing. He said the government wanted to decrease customs' duties on raw material and also wanted to document the non-tax businesses to bring them in the tax net.

The adviser further emphasized the need to exploit huge opportunities of increasing exports of the health and safety products, like personal protective equipment (PPE) for coronavirus; protective masks, gloves, sanitizers, clothing, helmets, goggles etc. "We need to revisit our strategies and start manufacturing in different sectors to achieve our exports targets," he added.

Source: profit.pakistantoday.com.pk - May 14, 2020

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NATIONAL NEWS

Coronavirus stimulus package: Comparing India and the rest of the world

The stimulus package was announced a day after PM Modi said the Government will spend Rs 20 lakh crore to tackle the impact of virus on the economy

On Wednesday, Finance Minister Nirmala Sitharaman had laid out the measures that the Centre will to take to contain the economic impact of the coronavirus.

Sitharaman's announcement comes a day after Prime Minister Narendra Modi, in an address to the nation, said that the Government will spend as much as Rs 20 lakh crore to tackle the impact of the coronavirus on the economy. He said that the Government will focus on land, labour, liquidity and laws.

What did Nirmala Sitharaman emphasise on?

In her press conference, the Finance Minister focused on providing relief to micro, small and medium enterprises (MSMEs), non-banking finance companies (NBFCs), power distribution companies (aka DISCOMs) and the real estate sector.

The announcements saw mixed reactions.

In fact, former Finance Minister and Senior Congress leader P Chidambaram said that he was disappointed.

He said that the Centre had announced Rs 3 lakh crore of collateral-free loans for small businesses, and wondered what happened to the remaining Rs 16.4 lakh crore.

A comparative study

How does the Narendra Modi-government's stimulus plan compare to relief packages announced by other nations by governments all over the world?

Here’s a look.

1. Fiscal packages

Governments all over the world have announced plans to protect their economy as many nations announced stay at home orders in a bid to stop the spread of the coronavirus.

Rest of the world (RoW): Many big economies have earmarked a significant portion of the gross domestic product (GDP) to stop the ill effects of virus on their economy and people. The data, compiled by economist Ceyhun Elgin, shows that Japan has announced a stimulus package which is more than 21 per cent of its GDP. The United States (US) (13.3 per cent), Australia (10.8 per cent) and Germany (10.7 per cent) follow.

India: Modi's mega plan, combined with previously announced plan, is roughly 10 per cent of the GDP. This is the fifth-largest among the G-20 economies.

2. Direct cash payments

The lockdowns in various countries were disruptive to many, but it was catastrophic to workers. Many governments across the world paid cash to workers so they could survive.

RoW: Many nations like Canada, US, Hong Kong, Japan and Thailand have followed this policy. Canada is already providing CAN$2000 for four months (from April) to those who have lost their jobs, are sick or have to stay at home. In the US, eligible persons apply for a one time payment of $1,200. Hong Kong is providing a cash handout of HK$10,000 for each permanent resident aged 18.

India: No new scheme was announced on Wednesday. The poor received modest benefits from the first stimulus package -- ₹500 each to women Jan Dhan account holders, ₹1,000 for senior citizens, poor widows and the disabled. It also hiked the payment for MNREGA and front loaded PM-KISAN payments.

However, on Wednesday, it was announced that Rs 1,000 crore from the money donated to PM CARES fund will be used to take care of migrant labourers. This money will be used by the State and UTs to provide accommodation, food, medical treatment and transportation to the migrants.

3. Financial assistance to corporations

Due to the shutdown, many corporations were unable to function, and some have become too big to fail.

RoW: The US created a $500 billion dollar fund to bailout failing corporates. This includes helping aviation, healthcare and sectors of national importance. The French government is all set to provide a bailout of 7 billion euros to Air France-KLM. In April, The French finance minister Bruno Le Maire said that the government had earmarked 20 billion euros for bailouts.

India: The Finance Minister announced a scheme to provide liquidity to power distribution companies. She announced a ₹90,000-crore loan "against State (government) guarantee" to power distribution utilities (discoms) to mitigate the liquidity crisis in the power sector.

To provide relief to the real estate sector, the FM announced easing in regulations for those projects that were stalled. The Housing and Urban Affairs Ministry will advice States/UTs and their regulatory authorities to extend the registration and completion data suo moto by six months for all registered projects expiring on or after March 25, 2020, without individual applications, she said.

The Government also looked to infuse liquidity for NBFCs. The Finance Minister announced Rs 30,000 crore to buy investment-grade debt of NBFCs, HFCs and MFIs. She also announced a partial credit guarantee programme worth Rs 45,000 crore.

4. Loans for small businesses

To prevent additional burden during lockdown, many nations announced fresh loans and moratoriums on loans for small businesses.

RoW: Most countries offered small businesses emergency loans and fast access to credit during this period. Many nations are also providing tax relief for these businesses. Others, like Japan, have schemes to cover two thirds of the rent of small businesses for up to six months.

India: For the MSME sector, the Centre announced six measures to help easy access to credit and equity infusion. The FM announced three big schemes -- a collateral free loan scheme, loans for critical MSMEs and mega 'fund of funds' to provide liquidity.

The FM also tweaked the government tender process to help MSMEs and extended the loan moratorium scheme. The centre will pay its dues to MSMEs within 15 days.

5. Paying employees

Businesses, both large and small, struggled to pay their employees during the lockdown. To prevent job losses, many governments the world over announced various measures.

RoW: The US, announced a Paycheck Protection Programme to help small businesses keep their employees on payroll. If the workers are fired, then the federal government has also increased unemployment benefits. The United Kingdom has a scheme to provide nearly grants covering up to nearly 80 per cent of the salary of workers if companies kept them on their payroll. Denmark also has a similar scheme to pay 75 percent of employees' salaries to avoid mass layoffs. Time span is three months. Thailand has allotted $18 billion to provide financial aid to temporary workers, contract workers and the self-employed.

India: In her press conference, Finance Minister Nirmala Sitharaman did not announce any scheme to help corporates pay their employees. However, she said that the TDS (tax deducted at source)/TCS (tax collected at source) rate has been reduced by 25 per cent.

The move is expected to release about Rs 50,000 crore in the hands of people. She also announced that the the direct tax dispute resolution scheme Vivad Se Vishwas has been extended till December 31, 2020.

She also said that all pending refunds to charitable trusts, non-corporate business and professions, including that of proprietorship, partnership, LLP and cooperatives, will be issued immediately.

Source: thehindubusinessline.com– May 14, 2020

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Cargo volumes at state-owned ports decline 21 per cent in April

Cargo volumes handled at India's dozen state-owned major ports fell 21.08 per cent in April to 47.42 million tonnes (mt) from 60.08 mt a year ago as the coronavirus-induced demand compression roiled global trade.

With the exception of Mormugao Port Trust, the remaining 11 major ports reported volume declines in April compared to the same period last year, according to the Shipping Ministry.

Among the 12 ports, Chennai Port Trust reported the steepest fall in cargo volumes in April at 38.17 per cent, handling 2.44 mt (3.95 mt).

Jawaharlal Nehru Port Trust (JNPT), India's biggest container port located near Mumbai, reported a 33.97 per cent drop in volumes to 3.95 mt from 5.99 mt.

Cochin Port Trust handled 1.87 mt, 33.73 per cent lower than the 2.83 mt handled last April. Kamarajar Port Ltd, India's only state-owned port that is run as a company, handled 2.08 mt, a drop of 30.03 per cent over the 2.97 mt last year.

Kolkata Port Trust reported a volume drop of 26.49 per cent to 3.65 mt from 4.96 mt. Cargo volumes handled by V O Chidambaranar Port Trust dropped 25.52 per cent to 2.29 mt from 3.08 mt.

Deendayal Port Trust, India's biggest state-owed port by volumes handled, reported a 23.25 per cent decline in volumes to 8.67 mt from 11.30 mt. Cargo traffic at Mumbai Port Trust fell 18.26 per cent to 4.08 mt from 5.00 mt.

Visakhapatnam Port Trust reported a 11.97 per cent decline in volumes to 5.00 mt from 5.69 mt. Paradip Port Trust handled 8.56 mt, a drop of 10.34 per cent over the 9.55 mt.

New Mangalore Port Trust reported a 1.29 per cent decline in volumes to 3.22 mt from 3.26 mt. Mormugao Port Trust handled 1.56 mt from 1.48 mt, a growth of 5.41 per cent.

All the commodities except raw fertilisers reported a decline in volumes.

Crude oil, petroleum products, LPG and LNG declined 14.11 per cent, other liquids by 35.58 per cent, iron ore including pellets by 11.34 per cent, finished fertilisers by 14.65 per cent, thermal and steam coal by 30.46 per cent, coking coal and others by 17.07 per cent and containers by 36.98 per cent (in twenty foot equivalent unit or TEU terms).

Raw fertilisers notched a growth of 75.27 per cent.

Source: thehindubusinessline.com– May 14, 2020

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Tamil Nadu, Punjab lead race to produce PPE kits, big brands like Wildcraft too join bandwagon

A number of micro, small and medium enterprises (MSMEs) are now part of the race to churn out personal protective equipment (PPE) to protect doctors and medical workers on the frontlines of the war against Covid-19. In Tamil Nadu, 117 garment units are now manufacturing PPEs after a green light from the Union health ministry while 46 such enterprises are operational in Punjab and 43 in Karnataka.

At least 451 garment units across country have turned to PPE manufacturing to keep their businesses afloat during the lockdown. Vishal Aggarwal, owner of one such unit — Evershine Impex — in Ludhiana, said from initial 150 pieces a day, they had scaled up to 4,000 in May. “We hope to touch 10,000 pieces a day soon. Our PPE kits are priced between Rs 650 and Rs 1,150,” he said.

In the garment manufacturing hub of Tamil Nadu, the PPE prices go much lower — between Rs 200 and Rs 900 — because of easy availability of fabric as well as manual labour. “We use reusable fabric to non-woven polyproplyene," said Siva Kumar, joint managing director of Meera Textiles in Dindigul.

The safety gear business has also attracted some big brands with deep pockets. These include Ludhiana-based Nahar Group, known for its spinning mills and winter wear manufacturing, which has an estimated annual turnover of Rs 6,000 crore and Karnataka-based Wildcraft, leading manufacturer of outdoor clothing and bags.

The companies are using imported machinery to manufacture seam tape for PPEs while MSMEs depend on manual labour. The seam tape is an important component of a PPE as it seals off the seams in the suit, providing complete protection to the wearer.

Gifi Gopalkrishnan, director of Wildcraft, told TOI, “We recently imported 250 heat-sealing machines — each costing USD 5,000 — to make the seams,” adding that import of machinery had not impacted hiring of manpower. “We have 240,000 people working of us. Of these 200,000 are workers of garment export units that shut down during the lockdown. Our target is to develop 40,000 kits every day,” he said.

Kamal Oswal, vice chairman, Nahar Group, said the shift from fashion garments to medical gear was an “exciting opportunity”. “As of now, we are producing 5,000 kits. Once heat-sealing machines arrive from South Korea, we will be able to make more kits.”

To enable faster quality testing of kits, the Centre has now roped in seven laboratories apart from Coimbatore-based South India Textile Research Association. The labs are being run by Defence Research and Development Organisation (DRDO) and Ordinance Factory under the ministry of defence.

Source: timesofindia.com – May 14, 2020

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Collateral-free loan, revision of MSME definition bring cheers to textile industry

The Indian textile industry, which consists of more than 80% as micro, small and medium enterprises (MSMEs), would gain immensely with the announcement of a major reforms package to the MSME sector as it has been well-timed to scale up in a big way. By announcing Rs 3-lakh-crore collateral-free automatic loan for businesses, including MSMEs, this package will benefit 45 lakh small businesses, the industry felt.

Being the second-largest employment generator in India after agriculture, the textile industry sees the package announced by the prime minister and in detail by the finance minister, particularly for the MSME sector, will definitely bring the morale boost sought by the industry for long, said the

Confederation of Indian Textile Industry (CITI), the apex body of textile sector in India.

The government had revised the definition of MSME, which means that it has increased the turnover limit up to Rs 100 crore and investment limit up to Rs 20 crore for medium-size units and likewise for small-size and micro-size ones. The fresh reforms package will greatly benefit over 80% of the textile units in India across the value chain, especially the garment and made-up units, said T Rajkumar, chairman, CITI. The package to MSMEs will bring cheers to millions of people working with the industry, he added.

According to Ashwin Chandran, chairman, Southern India Mills' Association (SIMA), since the textiles & clothing industry is predominantly MSME in nature, this will greatly benefit over 80% of the textile units, especially the garment and made-ups units.

Allocation of Rs 3 lakh crore to extend collateral free loans for businesses including MSMEs, provision of four-year tenure with moratorium of 12 months on principal repayment and further allocating Rs 20,000 crore for stressed MSMEs and Rs 50,000 crore for potentially viable MSME units will definitely give the industry a necessary push.

SIMA chairman also said the marginal reduction of 2% in the employers and employees contribution in the EPF and 25% reduction in the tax deducted at source and tax collected at source would help to improve the liquidity to a certain extent.

The revision of MSME definition which had been the long-pending demand of the industry has finally seen the light of day. The government has finally changed the definition of MSME by allowing units with investment up to Rs 1 crore in place of Rs 25 lakh and units with turnover up to Rs 5 crore to be called micro units.

The investment and turnover limits for small and medium businesses have also been raised to allow them to retain fiscal and other benefits. Now, small weaving mills will come under new MSME norms and because of this, many garment manufacturers will be benefited, Rajkumar added.

Raja M Shanmugam, president, Tirupur Exporters' Association (TEA), said the reforms package would lay out a comprehensive vision to spur growth and become self-reliant India.

While appreciating collateral free automatic loan for standard MSMEs, subordinate debt for stressed MSMEs, equity infusion for MSMEs through Fund of Funds, Raja M Shanmugham said the reduction of employer as well as employee EPF contribution for business and workers for three months from 12% to 10% is another major support received under Pradhan Mantri Garib Kalyan Package. He also appreciated other direct tax measures and extension of income tax return filing. Other major decision has been the banning of global tenders for government procurement up to Rs 200 crore.

Source: financialexpress.com – May 14, 2020

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CMAI welcomes economic package announced by the finance minister

CMAI has welcomed the measures announced by Nirmala Sitharaman, Finance Minister, especially those connected with the Government's support to the MSME Sector – on which she focused on today.

According to CMAI, the enhancing of the upper limits of the sector, the merging of the manufacturing and service sectors, and the addition of a turnover based criteria, will all go a long way in enabling many more enterprises, especially in the garment Industry, to take advantage of the various schemes under the MSME umbrella.

The additional loans backed by Government guarantee and requiring no collateral or guarantee of the MSME will enable many of its members to get the much-needed working capital assistance that the Industry needs to kick start operations after the lock-down ends.

However, it is important that the banks respond to these measures and implement the loan scheme within 4-5 weeks to allow quick start to operations to help the economic growth in the country.

Since a majority of the garment manufacturing units would come under the MSME criteria, CMAI believes that these sets of measures would be a boost for the sector. A similar support is required for garment retailers and traders. Currently they are not covered by MSME registration.

The survival of retailers is important to create demand and avoid bad debts to the MSME manufacturers. Further many MSME members are dependent on the sub-contract orders from large manufactures, exporters, and retailers. Since the entire value chain is impacted, support package has to be made available to the entire textile & apparel value chain.

Therefore, CMAI requested the finance minister to provide support to small manufactures by provide direct grants for in payment of wages for the lock down period and period up to September 2020. Small manufactures will not be able to sustain the losses from lock down and subsequent slow-down in demand. Absence of such grant could lead to up to 30per cent of the units closing down permanently leading to 1 crore job losses in the textile & apparel value chain.

Source: fashionatingworld.com – May 14, 2020

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Covid-19: Will stimulus package affect price situation? Here's what CEA Subramanian has to say

Ruling out any impact of stimulus on the price situation, Chief Economic Advisor K V Subramanian on Thursday said the COVID-19 pandemic has severely dented the demand for non-essential or discretionary goods, creating deflationary conditions. He also said that a good part of the Rs 20 lakh crore stimulus package is designed in a manner that the fiscal deficit remains under control.

"COVID has a significant deflationary impact because demand especially for non-essential or discretionary goods and services will go down significantly. Therefore, it is unlikely that there would be too much inflationary impact through fiscal deficit or stimulus package," Subramanian told PTI in an interview.

The proposed stimulus package will generate demand by infusing liquidity into the system and thus perk up the economy, the CEA said. "A good part of stimulus is utilising leverage to deliver…while at the same time ensuring that the fiscs remain actually under control," he said.

Last week, the government raised its market borrowing programme by a whopping 54 per cent of the Budget estimate to Rs 12 lakh crore for the current fiscal to fund a comprehensive stimulus package of Rs 20 lakh crore to fight the COVID-19 crisis.

According to some estimates, Rs 4.2 lakh crore additional borrowing by the government will push the fiscal deficit to 5.8 per cent of the GDP in FY21 as against the budget target of 3.5 per cent. With regards to proposed structural reforms, Subramanian said Prime Minister Narendra Modi in his recent address touched some important aspects like land, labour, laws and liquidity. “Land and labour are really factor market reforms because these are factor inputs that really affect the cost of doing business and you have seen a lot of changes on these recently at state level,” he said.

Uttar Pradesh, Madhya Pradesh and Gujarat have announced fundamental labour reforms and other states are also in line to follow up, he said, adding, Karnataka had just gone ahead and changed the regulation on acquisition of land for business.

Land can now be directly bought from farmers in the state and other states will also imbibe the model, he said. “Land and labour are state-level subjects. What the PM has outlined is what states are implementing. I think from the perspective of the cost of doing business, these are very important,” he said.

On growth he said, India will witness a V shape rebound rather than U shape post COVID-crisis. “It is possible that there may be a lot of pessimistic assessments, I would rather be aware of that bias while making judgement. When you look at researches around Spanish Flu of (1918), it was far more devastating. even then it was V shaped recovery,” he said. That is the best estimate that one can make at this point of time, he said.

Pointing out that the Spanish Flu was far more devastating than the current COVID crisis, he said, that flu had affected one-third of the global population in contrast to one per cent now by coronavirus and despite all that it was a V shaped recovery then.

Source: financialexpress.com – May 14, 2020

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Fiscal deficit to balloon to 7.9 per cent in FY21: Report

The Government has announced an additional borrowing of around 2.1 per cent of GDP

With the Government's Rs 20 lakh crore stimulus package, the country's fiscal deficit is likely to be more than double to 7.9 per cent in the current financial year, according to an SBI research report.

The report had earlier estimated the fiscal deficit to be 3.5 per cent of the gross domestic product (GDP) this fiscal.

The Government has announced a cumulative package of Rs 20 lakh crore, which is nearly 10 per cent of GDP to provide relief to various segments of the coronavirus-hit economy.

"After taking into account cash outflow of these measures as well as the previous and the recent excise duty hike and DA freeze (amounting to around 0.8 per cent of GDP), we now revise our baseline fiscal deficit (excluding extra budgetary resources (EBR)) to 7.9 per cent of the revised GDP in FY21 from 3.5 per cent earlier, owing to lower revenues and higher expenditure against the backdrop of Covid-19 pandemic," the SBI's research report Ecowrap. said.

Baseline fiscal deficit based on CSO's earlier estimates of GDP is around 7.1 per cent of GDP, it added.

"We estimate a 4.5 per cent direct impact on fiscal deficit purely because of revenue shortfall / automatic fiscal stabilizer and a 0.9 per cent indirect effect because of GDP change," the report said.

The government Rs 20 lakh crore package includes Rs 1.7 lakh crore of fiscal stimulus announced in the first phase, Rs 5.6 lakh crore stimulus provided through various monetary policy measures and Rs 5.94 lakh crore through the second phase, implying Rs 6.70 lakh crore package is still to be announced.

"The cumulative actual fiscal impact is only around Rs 1.14 lakh crores or 0.6 per cent of GDP," the report said. The Government has announced an additional borrowing of around Rs 4.2 lakh crore or 2.1 per cent of the GDP.

The report further said with higher deficit, the issue of a sustainable debt limit arises. The Government debt as a percentage of GDP has been on a rising trend since FY11.

In the last eight years, government debt has risen from 62 per cent in FY11 to 66 per cent in FY19. During the same time period interest rate (repo rate) has declined from as high as 8.5 per cent to as low as 6 per cent, the report said. In FY20, the repo rate was reduced further to 4.4 per cent.

"This raises two related questions: how much government debt can India sustain? Does the decline in nominal interest rates following the possible financial crisis originating due to Covid-19 mean that the government can safely borrow more?" it said.

It said there have been studies which show that if the difference between interest rate and nominal growth rate is negative then there is no level of debt which is unsustainable, that is the government can borrow easily.

Only if the differential becomes positive then the question about maximum sustainable debt exists. "Thus, in India as we expect the ratio to become positive by end-FY21, we would have to look into the upper limit of debt which is sustainable. Against this background, it is imperative that we give growth a definite push," the report added.

Source: thehindubusinessline.com – May 14, 2020

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Differences among members, India-Mercosur PTA talks stalled

The ongoing differences between Brazil and Argentina are expected to have important implications for the future course of action within MERCOSUR and its engagements with other trade and economic partners including India. Sources have confirmed to Financial Express Online “We are aware of the differences between the members of the grouping. However, this has not been conveyed to us officially. Before the global lockdown due to COVID-19, efforts were made to set a date for negotiations. There has been no response so far.”

“Despite their difference, India must show its willingness to upgrade India-MERCOSUR relations into a more comprehensive economic partnership agreement. Many times the bilateral difference can get subdued when the countries in question engage as a grouping with other economic partners,” the source quoted above said.

According to Gustavo Rojas, researcher, Center of Analysis and Dissemination of the Paraguayan Economy (CADEP), “Since the inauguration last December of the President of Argentina, Alberto Fernández, the presidents of Brazil and Argentina have failed to establish a simple conversation, leading the regional decision-making process towards progressive paralysis.”

“The growing divergences between Mercosur’s two main partners come at a time of profound contrast between the level of approval of both presidents. While the COVID-19 policy has raised the approval of the Argentinean President Fernández to record levels, the denial of the health problem and the demonstrations of authoritarianism and misgovernment of Brazilian President Jair Bolsonaro have not reduced the rising number of dead and unemployed, just contributing to raising political conflict in that country to unprecedented levels,” Rojas opines.

India-MERCOSUR PTA

India has been reaching out to the members of the grouping to fast track negotiations for the expansion of the existing Preferential Trade Agreement (PTA).

So far, as has been reported earlier, officers have confirmed that there is no headway in the negotiations and since the lockdown, the negotiations are not likely to happen soon.

"Of course there are options to have video conferencing with the members, but they need to first resolve their internal differences," said the source.

Member countries including Brazil, Argentina, Paraguay and Uruguay (MERCOSUR) have been in talks with India, seeking expansion of the existing PTA, in an effort to achieve a trade target of $30 billion in 2030. Once this is expanded, this will strengthen trade relations between the countries involved.

South Korea-Mercosur FTA

Due to the differences between the two leaders of Brazil and Argentina that the talks related to MERCOSUR-South Korea FTA have hit a wall.

Sharing his view regarding this Rojas says, "The insistence of the Brazilian Government to conclude the negotiations of new extra-regional Mercosur agreements, particularly with South Korea, without concluding the due internal consultations with its private sector and with the other members of the bloc, in a more introspective world in the face of the health and economic challenges derived from the COVID-19 pandemic (which currently has Brazil as one of its world epicentres), is proof of the uncritical liberal fundamentalism of its economic team.

"The divergences between Brazil and Argentina also encompass the Brazilian proposal to promote unilateral reductions in the regional common external tariff, which would directly impact intraregional trade, already declining due to the deep recession facing both countries," the researcher adds.

Source: financialexpress.com- May 14, 2020

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Small businesses welcome govt's 2% interest subvention for Mudra loans but say repayment still tough

Credit and Finance for MSMEs: Finance Minister Nirmala Sitharaman on Thursday announced that Covid-hit small businesses will get 2 per cent interest subvention on loans up to Rs 50,000 secured under the Mudra scheme's Shishu cover. The interest subvention will be provided to prompt payees for a period of 12 months.

The total relief amount — under the subvention to Shishu loanees making regular payments — will be Rs 1,500 crore. The current portfolio of Shishu loans under the Mudra scheme is around Rs 1.62 lakh crore, according to Sitharaman. Pradhan Mantri Mudra Yojana (PMMY) was launched in April 2015 to give Rs 50,000 – 5 lakh worth loans under the Kishor cover and Rs 5 lakh – Rs 10 lakh under the Tarun cover apart from the Shishu cover to non-corporate, non-farm small or micro enterprises.

"While this is a welcome move but Rs 50,000-loan bracket will largely include micro-entrepreneurs who will try to stabilize themselves for around next 12 months as there will be a huge demand and supply imbalance ahead. While the monthly interest amount might not be much but it would still be difficult for micro-entrepreneurs to pay. Instead, the government should have reduced the interest rate on Mudra loans to 4-5 per cent or maximum 6 per cent. Also, the moratorium by the RBI should be extended till March next year," Pankaj Kumar, National President, Indian Industries Association (IIA) told Financial Express Online. IIA represents around 8,000 MSMEs across India.

"Small businesses won't be able to make regular payments for the loans they have taken for the next few months. They are already facing existential crisis with no revenues and complete lack of demand. However, it would be important to see eventually how many MSMEs are supported under the package announced by the government (on Wednesday) and in how much time. Only if executed properly, can MSMEs make repayments," an independent small business expert told Financial Express Online.

The announcement by Sitharaman came a day after six MSME-centric relief measures were announced to boost liquidity and ease Covid impact. Among the key announcements was up to 20 per cent of entire outstanding credit offered by banks and NBFCs to MSMEs with upto Rs 25 crore outstanding credit and Rs 100 crore turnover. The minister had also announced special package of Rs 20,000 crore as subordinate debt for MSMEs declared as NPAs or those stressed. The government will also provide Rs 4,000 crore to CGTMSE that will offer partial credit guarantee support to banks for lending to MSMEs.

The minister had also revised the MSME definition from investment in plant and machinery or equipment based to a mix of investment and turnover. This is suitable "because of the introduction of GST. Under the new tax regime, turnover details of enterprises are being captured by Goods and Services Tax Network and turnover declared by GST registered MSME units can be easily verified through GSTN," SBI said in its latest Ecowrap.

Source: financialexpress.com- May 14, 2020

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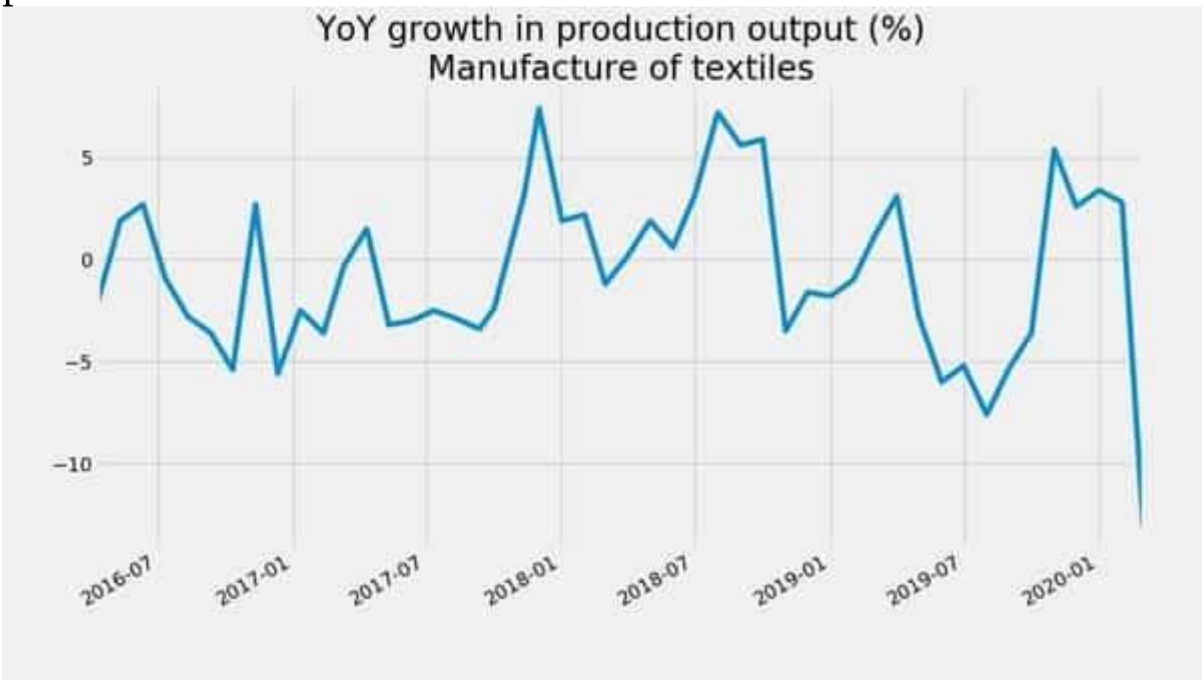
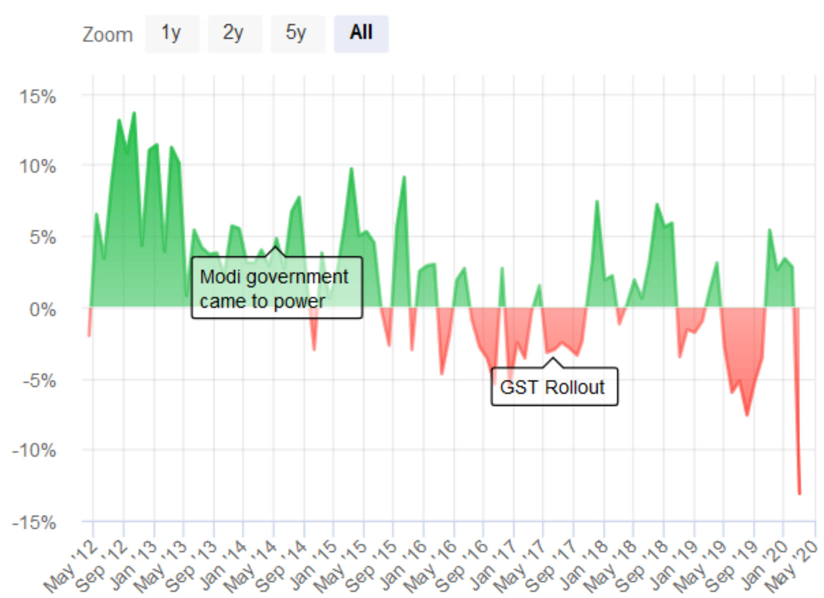
Textiles output contracted by 13.1%, a 97-month low, in Mar 2020

Factory output in the textiles industry contracted 13.1% in Mar 2020 compared to the same month last year, according to new data released by the Central Statistics Office. In comparison, it had expanded at 2.8% in the previous month of Feb 2020.



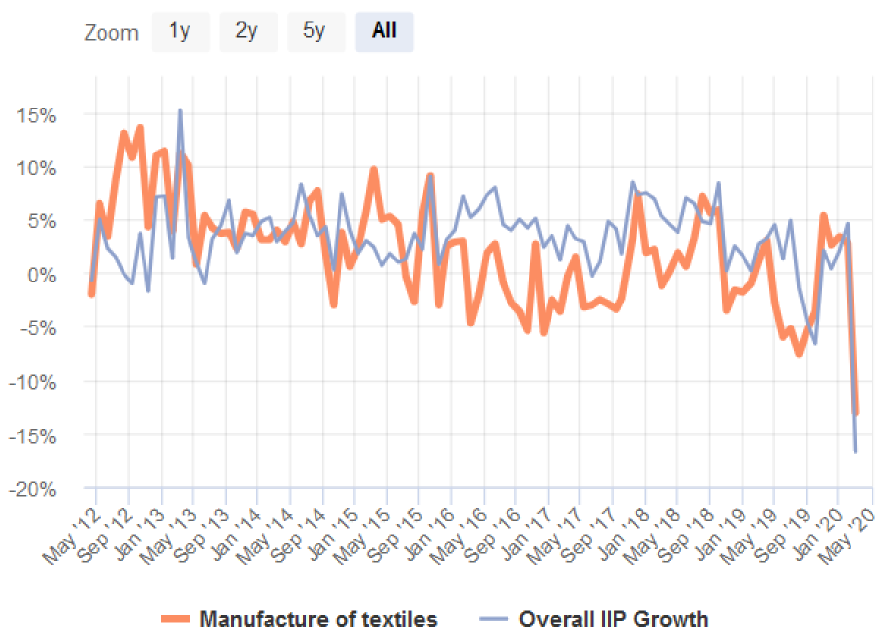
Growth in the textiles industry was more than that in overall industrial output, which shrunk 16.7%. Textiles made up 3.29% of the overall index of industrial production (IIP), and contributed -0.43% to overall IIP growth.

YoY Growth in manufacture of textiles



Among the 23 industries tracked by the Central Statistics Office's Index of Industrial Production, the textiles industry had the fifth highest growth rate. Across all industry sectors, the growth rate was highest in manufacture of coke and refined petroleum products, and lowest in manufacture of motor vehicles, trailers and semi-trailers.

Growth in manufacture of textiles vs overall IIP



Factory output is measured by the Index of Industrial Production (IIP), a composite index that measures changes in the volume of production of selected industrial goods.

Source: livemint.com- May 14, 2020

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Garment manufacturers urge govt to support garment retailers, traders

The Clothing Manufacturers Association of India (CMAI) has urged the government to consider extending measures, which were given to the MSMEs in manufacturing sector, to garment retailers and traders as well.

The garment industry has said that enhancing of the upper limits of the sector, the merging of the manufacturing and service sectors, and the addition of a turnover based criteria, will all go a long way in enabling many more enterprises, especially here, to take advantage of the various schemes under the MSME umbrella.

The additional loans backed by the government guarantee and requiring no collateral or guarantee of the MSME, will enable many of its members to get the much-needed working capital assistance that the industry needs to kick start operations after the lock-down ends. However, it is important that the banks respond to these measures and implement the loan scheme within 4-5 weeks to allow quick start to operations to help the economic growth in the country.

"Since a majority of the garment manufacturing units would come under the MSME criteria, we believe these sets of measures would be a boost for our sector," said the association.

CMAI also sought support of the government to small manufacturers by providing direct grants for payment of wages till September. Small manufacturers will not be able to sustain the losses from lockdown and subsequent slowdown in demand. Absence of such grant could lead to up to 30 per cent of the units closing down permanently leading to 10 million job losses in the textile and apparel value chain.

Rahul Mehta, chief mentor at CMAI said that very few factories have opened for regular production. Karnataka, Tirupur, and Ludhiana are some of these areas where some production may have started. Essentially the challenge is for whom and what do they produce? Since most of retail has not yet opened up, there are no orders on hand. Retail sales are expected to be at half for the next 3 months, hence with 40-50% business, many factories will find it difficult to remain viable. There are about 75,000-80,000 units across the country.

Getting adequate manpower to ramp up production to meet the demand is one of the major challenges the textile industry is facing, said Sivaramakrishnan Ganapathi, managing director of India's largest apparel exporter Gokaldas. "We are now struggling to serve the orders we have. We are struggling to get workers, as there is no public transport. If we dont serve the orders people may shift back to Indonesia or Vietnam, wherever there is capacity. We want to start operating more and get back to normal production", he said.

For the first quarter, the company could not operate in April and has been operating at half or less than half the capacity since it only has 40 per cent of the workforce which is coming. More than 50 per cent of the first quarter is lost from a production standpoint. Order book has suffered a decline of 25-30 per cent.

To address the labour issue, the Apparel Export Promotion Council chairman A Sakthivel said the government should consider to allow 12 hours shift instead of 8 with normal wages. Normal rate should be considered for the extra four hours rather than at twice the wage rate.

Citing the amendments made in states like Gujarat, Madhya Pradesh, Haryana, Himachal Pradesh and Punjab in their rules under the Factories Act, he said: "Workers (in the States mentioned) would again be allowed to work for 72 hours a week (up from 48 hours) in the new dispensation."

Source: business-standard.com- May 14, 2020

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Stimulus package evokes mixed response from industry captains

The stimulus package announced by Finance Minister Nirmala Sitharaman evoked mixed response among industry captains here.

While industry associations like Codissia, Southern India Engineering Manufacturers Association (SIEMA), Confederation of Indian Textile Industry (CITI) and Apparel Export Promotion Council (AEPC), among others, hailed the package as they felt that the FM's the Union Finance Minister Nirmala Sitharaman's announcements met their demands, and would help infuse liquidity in the system as well as spur economic growth, a cross-section of businessmen that this correspondent spoke to said they “do not really see anything coming out of the package”.

“MSME classification is fine; offer of collateral-free loan is pleasing to the ear; but at what cost (rate of interest) and the repayment tenure?” asked an exporter, preferring anonymity.

Sharing his experience, the exporter said, “Three days back, I approached my banker for finance accommodation of ₹4 crore to buy a imported second-hand machinery from South Korea. The deal was very attractive and the machinery exporter was ready to ship it. Our financials were good, but the banker contended that “under Covid conditions, he would not be able to do anything”.

“I said I would shift the limits altogether to some other bank and he simply said “it’s your prerogative”. “The FM’s announcement has come yesterday. I will be approaching the bank today to find out the conditions. The lender had then (three days back) insisted on a collateral, worth at least 50 per cent of the value of the machinery.

“Though the directions come from the powers that be, banks are reluctant to extend credit; more so, if it has to be without a collateral. Availing credit from banks has never been easy; it is not only cumbersome, but one needs some clout too,” he added.

Yet another exporter (of tea) said that the government should support the sector by extending credit at lower rates of interest, and help develop tea-bag making machinery under the “Make in India” initiative as imported ones are prohibitively expensive.

“It is not impossible to develop the machine, but we need to look at volumes, else we will find it difficult to become globally competitive,” retorted another exporter of tea.

Meanwhile, industry sources did not fail to point out that the markets did not react positively to the FM’s announcement — neither at close yesterday nor this morning.

Source: thehindubusinessline.com- May 14, 2020

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Exporters seek Bangladesh trade reboot

Exporters to Bangladesh have started mounting pressure on the administrations of their respective districts for trade to resume at the earliest through the land borders.

On Thursday, representatives of at least three associations of exporters and clearing agents submitted memoranda to the administrations in Malda, Cooch Behar and South Dinajpur seeking immediate resumption of trade.

In Bengal, there are six land ports along the India-Bangladesh border through which goods move between the countries. These are at Changrabandha (Cooch Behar), Fulbari (Jalpaiguri), Hilli (South Dinajpur), Mahadipur (Malda), Ghojadanga and Petrapole (North 24-Paraganas). After the lockdown began, the Bengal government had halted trade at land ports.

Altogether, goods worth over Rs 27,000 crore is traded through these ports.

The items that are exported through these ports include spices, rice, eggs, sugar, railway sleepers, cotton, chemicals and boulders.

“As trade has not taken place for around 50 days now, we are facing huge losses. Every day, goods worth Rs 1.5 crore are traded at the Mahadipur border.

Hundreds of people are directly and indirectly associated with the border trade and they are jobless now,” said Bhupati Mondal, the secretary of the Mahadipur Clearing and Forwarding Agents’ Association.

Source: telegraphindia.com- May 15, 2020

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Products need to be re-oriented and made relevant: Experts

The demand-supply situation may be completely different post-COVID-19, and companies would need to re-orient their products and make them relevant to the market, experts said at a webinar organised by Fibre2Fashion today. Companies will have to innovative, be more competitive, invest in technical textiles, and scale up their capacities to survive and grow in the post-COVID-19 world.

At a time when the US and Western Europe are looking for alternatives to import from China, Indian companies will need to move out of commodity product categories and move towards making specialty products, said RD Udeshi, president – Polyester Chain, Reliance Industries Limited (RIL), during the webinar on 'Survival of the Fittest: How will Indian Manufacturers revive post Covid-19?'

Speaking about the polyester industry, Udeshi said India is at No.2, but the gap between No.1 and No.2 is huge. China produces roughly 50 million tons of manmade fibre (MMF), while India struggles to produce 6-7 million tons. If Indian textiles-apparel industry is to reach $350 million, the country would need another 18 million tons of fibre. The production of cotton fibre is not likely to go up much and may limit around 6 million tons. So, India needs to do a lot of work not only on MMF but the entire polyester chain.

Secondly, Udeshi said, there is imbalance in China, as upstream is produced in full capacity and downstream is struggling. Given that there will be demand contraction in India, if dumping of upstream products from the neighbouring country increases, it will make it difficult for Indian companies to survive.

Focusing on the ginning and spinning industry, Sanjay Jain, MD – TT Limited & Immediate Past President of Confederation of Indian Textile Industry (CITI), said the industry is in bad shape, primarily because there is no demand. He said, "Demand destruction is already being felt by suppliers. Supply destruction will be felt once things normalise. How ginning and spinning can make-up the huge losses is a big question."

For the ginning and spinning industry, according to him, pushing exports is the only way to survive.

On the China opportunity, Jain said, India is not prepared to take on China in terms of efficiency, infrastructure, etc. Moreover, liquidity for new investment is going to be limited, and that too limited to very few people. So, the industry is looking up to the government for directions.

N Rajagopalan, director at Trigger Apparels Limited, said that from manufacturing point of view, all pipeline stock will be cleared in the coming months. So, the industry needs to re-adjust business plan according to market demand. "Little bit of hand-holding and transparent communication between manufacturing and brand owners, and brand owners and retailers is needed."

According to him, PPE is a new business, and not an alternative to the existing business. "It is low value, high volume business."

Use of anti-viral and anti-microbial fabrics will become the new norm in day-to-day apparel, said. Dhruva Singh Chauhan, director, GBTL Ltd, during the webinar organised by Fibre2Fashion. He added that GBTL's R&D was working since January this year and they have come up with a game-changer Neo Tech technology.

In the post-COVID-19 world, products need to be different and distinctive. "What we have to look at is whether our product will remain relevant to the market. Innovation helps in making products that are relevant to the market," Chauhan added.

In his capacity as Guest Speaker, Vijoy Kumar Singh, additional secretary - Ministry of Textiles, Government of India, said "climate is changing very fast. Ministry and trade associations will have to work cohesively to help the industry overcome losses."

"The Indian textiles industry has to make sure that it is competitive and very very innovative like the PPE experiment, in which the country has been successful in producing a very large number of PPE in a very short time," said Prem Kumar Kataria, Ex. Special Secretary, Ministry of Textiles, who also joined the webinar as a Guest Speaker.

"We need to understand demand pattern, and re-orient our manufacturing capacities and capabilities to synergise with the demand pattern," he added.

In the post-COVID-19 period, Udeshi said, survival will come by thinking differently. Citing the example of PPE, he said the garmenting industry never thought it would venture into production of PPE. He said Indian textiles-garment exports can grow to $100 billion from the current $33 billion but that would require hand-holding by the government, in addition to thinking beyond what the industry is doing today.

"Now is the time to start repairing. Don't sell your stock at loss, because production is not going to be at 100 per cent even for the next 60 days. So, margins are going to be better, going forward," said Jain. Unexpected gains will be there for first movers, just like people who ventured into PPE got, he added.

"Indian manufacturers need to recalibrate and make products that consumers will be looking for. Online is going to definitely pick-up, so you have to ensure that you are on the online platform. Touch points have to reduce. Consumption would fall 25-30 per cent in domestic market, and part of that fall has already happened. Amount of liquidity promised to be injected by the government is going to make a big difference," said Jain.

He said more joint ventures would be needed so liquidity can flow in. "It's a changed world and we need to work in a changed fashion."

Giving an assurance on behalf of the textiles ministry, Singh said: "We are very alert and you would see ministry working more pro-actively."

Source: fibre2fashion.com- May 14, 2020

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Govt circulates draft details of loan scheme for MSMEs

The draft circular sent by the finance ministry to banks, detailing the implementation of collateral-free automatic loans for businesses, including micro, small and medium enterprises (MSMEs), says banks can charge up to 9.25% interest, said a senior banker, requesting anonymity. The scheme was part of the ₹20-trillion Atmanirbhar Bharat Abhiyan to kickstart the economy amid the covid-19 outbreak.

According to the draft, the ₹3 trillion scheme comprises ₹2.8 trillion in automatic loans, while ₹20,000 crore will be made available as subordinate debt for stressed MSMEs. Under the automatic loan scheme, banks can charge interest of 9.25%, while non-banking financial companies (NBFCs) can charge up to 14%.

The scheme will cover only existing borrowers with outstanding credit limit of up to ₹25 crore as on 29 February, and having a turnover of up to ₹100 crore.

It will also include borrowers with up to 60 days past dues, and cover working capital and term loan facilities.

The credit line will be 100% guaranteed by the government through the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), but no guarantee fee. The ministry also sought feedback from banks on the scheme before it comes up with the blueprint next week, said the banker.

“The draft scheme looks good. We had received few queries from new customers. The draft has made it clear that the scheme is applicable only to existing customers and those with outstanding of ₹25 crore," he added.

The details of the other schemes, such as the ₹30,000-crore special liquidity scheme for NBFCs, housing finance companies (HFCs) and micro-finance institutions (MFIs), are still awaited.

“Operationalizing the ₹20,000-crore subordinate debt scheme, and the ₹50,000-crore equity infusion, could be the key. Main issues that need to be tackled is consistency in criteria, the implementation body needs to be fast-moving and dynamic, and quick operationalization of the schemes, as some of these MSMEs may not have the strength to wait for a a long period," said Jindal Haria, director, financial institutions, India Ratings.

Analysts said despite the implementation of these liquidity schemes, the package is likely to benefit higher-rated entities with AA and A, leaving the BBB companies starved for liquidity.

They said banks will still be cautious investing in bonds of the lower-rated companies as the government guarantee is available only for 20% of the loss. The ₹45,000-crore partial credit guarantee scheme for NBFCs will be extended to primary issuance of bonds and commercial papers of NBFCs.

Similarly, the ₹30,000-crore special liquidity scheme includes only investments in investment grade papers, which are hardly issued by lower-rated NBFCs and MFIs.

According to analysts, these companies have experience issuing pass through certificates (PTCs) on their pooled assets.

“The ₹30,000-crore liquidity scheme could help NBFCs in the middle rating levels. There are two caveats here: One, whether pass through certificates would be included in addition to other market instruments and, two, issuing these instruments, engaging with investment bankers for issuing the primary market could take time and some of the NBFCs may not have that luxury," said Haria.

Banks, NBFCs and HFCs are therefore awaiting the fine print of the economic package to understand its real impact on the sector.

Source: livemint.com- May 14, 2020

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E-commerce firms may get to sell secondary essentials in red zones: Reports

Consumers in red zones say they want to buy gadgets, home supplies and office and school supplies post upcoming lockdown relaxations.

In a major relief to consumers, e-commerce companies such as Amazon, Flipkart and local retailers, might soon be allowed by the Ministry of Home Affairs (MHA) to sell secondary essentials in red zone areas across the country, except high virus load districts and containment zones, according to industry sources.

If allowed, these firms would be allowed to sell secondary-essential items such as phones, laptops, electronic devices and appliances, which comprise most of their sales. Even for high virus load districts and containment zones, the government is evaluating to expand the list of essentials which might now include products such as coolers, air conditioners, mobile phones and laptops.

“The announcement might come soon. For many weeks e-commerce companies, retailers, as well as consumer-focused platforms, have been informing the government about the hardships consumers are facing in red zones and the important role they can play to deliver secondary essentials,” said an industry executive, who wished to remain anonymous.

The home ministry, which recently extended the national lockdown, allowed the online sales of essential and secondary-essential products in green and orange zones that have almost contained the coronavirus outbreak, and only essentials in red zones. However, red zones comprise about 130 districts of the country and analysts estimate that the e-commerce companies, as well as the retailers, witness at least 75 per cent demand from these locations.

A majority of the consumers in red zones say they want to buy gadgets, home supplies and office and school supplies after the upcoming lockdown relaxations. About 42 per cent of these consumers now want to get things delivered instead of buying from markets, according to a survey by community platform LocalCircles, which received over 24,000 votes from consumers spread across 124 red zone districts of the country. Post the lockdown relaxation, when it comes to services, people will spend mostly on air conditioners, refrigerators, appliance and home repairs.

About 74 per cent consumers said they are in no mood to spend on non-essentials post lockdown.

Along with how people work, Covid-19 pandemic is also changing the way how people buy things. Many dedicated market-goers are now shifting to purchases delivered at the doorstep to minimize outdoor activities and contact with other people due to the fear of contracting the virus. Whether it is a malfunctioning laptop, a broken mobile phone, the empty printer cartridge or stationery for children, consumers have been restlessly waiting for the lockdown to get over to buy stuff that is important for their daily routine, but these products have not been termed as essential by the government, said the LocalCircles survey.

“Consumers have regularly been expressing on LocalCircles that the government permits the purchase and delivery of items like laptops, printers, coolers, air conditioners via retailers and e-commerce platforms and LocalCircles has sensitised the government about the same," said Sachin Taparia, founder and chairman of LocalCircles.

About 33 per cent consumers in red zones said that after the lockdown is lifted they will order via e-commerce, while 41 per cent said they will visit a retail store. About 9 per cent said they will get stuff delivered from a retail store. Overall, the numbers in this survey show a big shift in the consumer mindset post Covid-19 lockdown, as 42 per cent now want to get items of need delivered to their doorsteps so that they could follow the social distancing protocols.

According to online retail-focused technology platform Unicommerce, the overall e-commerce sector showed a good sign of recovery in the first week of lockdown 3.0 and made up for the steep decline of 40 days due to lockdown. The overall industry has reached 30 per cent of its pre-lockdown order volumes which is a good sign for the industry.

With e-commerce players being permitted to resume operations in the green and orange zones, the business will continue to take a major hit as over 40 per cent of the e-tailers are based in metropolitan cities which are currently in the red zone, said Unicommerce report.

Source: business-standard.com- May 14, 2020

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