TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU
TEXPROCIL

TEXPROCIL
NEWS CLIPPINGS

The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 213 of 2018 October 15, 2018

USD 73.88| EUR 85.34 | GBP 96.88 | JPY 0.66

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21943	45900	**79.58**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22300	46793	**81.12**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	76.37	
ZCE Cotton: Yuan/MT (Jan 2019)	15,620	
ZCE Cotton: USD Cents/lb	**86.98**	
Cotlook A Index – Physical	**86.35**	

Cotton Guide: In the gone by week ICE future for December contract advanced to end at 78.37 cents up by almost 3% from the previous week's close. However, the ZCE future was marginally lower; no major change from the previous week's close but recovered from the week's low and settled at 15435 Yuan/MT. On the domestic front the market advanced sharply. Prices for Shankar-6 have risen to an average of Rs. 46,300 per candy, ex gin (80.00 cents/lb at Friday's exchange rate).

Quotes for Punjab J-34 are also higher, averaging Rs. 4,603 per maund, ex gin (75.80 cents/lb). The gains in the spot price amid inadequate flow of new crop arrivals have supported Indian cotton futures to again rise. The October future has ended the week at Rs. 22880 per bale up by Rs. 700 from the previous week's close. Similar kinds of gains have been noticed in the subsequent contracts also. The ICE Market has gained predominantly higher in the last week amid following reasons-

Reports from damages to cotton from Hurricane Michael have indicated that losses to the Southeast crop could total up to 1 million bales. Hurricane Michael in the spotlight as it moved inland over the Florida panhandle, across the Georgia cotton belt and then through the Carolinas. The storm was the third strongest to ever hit the US mainland. If there was a positive it was the fact the storm moved quickly across the region but the high winds and heavy rains which damaged cotton crops in south Alabama, Florida, Georgia and the Carolinas was a much larger negative.

The south Alabama, Florida and Georgia crops took a direct hit. Georgia is the second largest cotton producing state in the US and the USDA had just increased their crop estimate to 2.9 million bales. The fact the crop was 100% open, harvest was accelerating and the plants were loaded means it was hit at the absolutely worst time. It will be some time before the losses can be totaled as the crop is ginned. The concern is first there is yield loss and second the quality loss. For detailed report please access Kotak Commodity Research.

FX Guide:

Indian rupee has opened weaker by 0.35% to trade near 73.85 levels against the US dollar. Recovery in crude oil price and choppiness in Asian equity markets weighing on rupee. Brent crude has bounced back to trade above $81 per barrel on increased tensions between US and Saudi Arabia. Tensions between US and Saudi Arabia rose as Riyadh warned that it would retaliate against possible economic sanctions taken by other states over the disappearance of a prominent government critic, Jamal Khashoggi.

Asian equity markets are mixed on global economic concerns amid trade war, rising interest rates and slowdown in emerging markets. The US dollar has also risen against euro and Pound amid increasing concerns about Brexit. However, supporting rupee are government measures to curb imports and upbeat economic data. Indian's inflation rose 3.77% on the year in September as against Bloomberg estimate of 4% growth. Industrial production rose 4.3% in August as against forecast of 3.8% growth. Rupee has corrected from recent record low levels however general bias may remain weak unless risk sentiment improves significantly. USDINR may trade in a range of 73.55-74.15 and bias may be on the upside..

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 13/10/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.80	3.10
Indonesia	2.56	2.85
Pakistan	2.31	2.70
Turkey	3.20	3.45
Source: CCF Group		

China yarn

Yarn market showed divergences this week. Cotton yarn market kept weak and price of cotton yarn mainly stepped downward. Price of polyester yarn improved due to rising feedstock price. Prices of rayon yarn and blended yarn remained stable.

International yarn

In the cotton yarn market, spinners in Pakistan have been able to increase their asking rates, as some downstream manufacturers have immediate requirements to cover. Export demand has failed to improve. Bangladesh's garment export earnings in September were robust.

Source: CCF Group

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	Topics
1	Tariffs Should Hasten Apparel Manufacturing's Move Out Of China And Back To U.S., Study Says
2	China September exports surge, creating record surplus with U.S. despite tariffs
3	Industrial park in Ethiopia builds friendship with China by bringing jobs, skills to local people
4	Philippines, US to discuss free trade agreement in November
5	Egypt seeks to weave cotton renaissance
6	Levi Strauss sees double digit growth in Q3FY18
7	Pakistan: Hike in prices of non-imported goods flayed
	NATIONAL NEWS
1	Textile industry urged to diversify into new markets and products
2	Govt to form national trade portal to cut logistics cost: Commerce jt secy
3	Cotton Corporation of India plans to purchase cotton from Nov 1
4	Meghalaya gets Rs 7.8 cr for construction of textile tourism complex
5	Envoy calls for bigger Indian investment in Bangladesh
6	Tiruppur ‘exports’ garment units to Ethiopia, Sri Lanka
7	India needs to expedite structural reform process by building consensus: IMF officials
8	Centre to urge PSBs to ease lending to exporters
9	Amazon bids $400 mn for stake in Spencer's; deal stuck at valuation stage
10	US-China trade spat: Advantage India?
11	EPCH seeks 200-acre land from UP govt for handicraft park
12	Whirring spindles rekindle hope among weavers

INTERNATIONAL NEWS

Tariffs Should Hasten Apparel Manufacturing's Move Out Of China And Back To U.S., Study Says

The fashion industry is faced with challenges ranging from increasingly fickle consumers with little brand loyalty to the rise of upstart brands upsetting the traditional giants. One way it's seeking to respond to that changing dynamic: moving production out of Asia back to the U.S. or nearby countries.

About four-fifths of nearly 200 global apparel industry sourcing executives said "a step change in nearshoring for speed is somewhat or highly likely by 2025," according to a survey conducted by McKinsey & Co. and The Sourcing Journal, a trade publication, in September. Most of the respondents came from companies based in the Americas or Europe.

Almost 80% of the survey respondents also said it's "highly likely" or "somewhat likely" that "trade agreements change offshore-onshore equation."

The threat of more tariffs on imports from China "will further support nearshoring," Karl-Hendrik Magnus, a McKinsey partner, said at the Sourcing Journal Summit in New York on Thursday, when he released the survey findings in a study titled "Is Apparel Manufacturing Coming Home?"

In fact, when asked "what will be your company's most important nearshore market by 2025," 30% of respondents cited the U.S. as the biggest potential winner when it comes to "nearshoring" for North America. Mexico followed with 20%.

For Europe, Turkey came out as the top choice, according to the survey.

"What's happening in D.C. is accelerating all the conversations" about moving production back to or near the U.S., Erika Swan, Reebok's VP of product operations, said at the event, which gathered some 400 industry executives from companies that also included Under Armour, Calvin Klein parent PVH and Amazon.

The conversation on possibly moving apparel production closer to home has been an industry discussion topic long before President Donald Trump began this year to levy tariffs on different types of U.S. imports from China. Reducing the so-called cycle time — the time between when an item is designed and when it lands on physical or online store shelves — is more critical than ever as the fashion industry struggles to respond faster to ever-shifting consumer tastes and the growing consumer demand for fast product delivery.

A six-month fashion cycle used to be considered fast; now, companies that want to succeed need to cut that time frame to no more than six weeks, according to the study.

While flying goods in from Asia is an option, it's not only costly but also frowned upon by today's environmentally conscious and carbon-footprint-minded consumers.

Being able to produce products fast, and when and where demand is, could also help minimize excess inventory. That is critical not only because unsold products lead to profit-eroding clearance sales but also because, again, the issues of sustainability and minimizing fashion waste are more important for consumers considering a purchase, according to the study.

In another case for moving production back to or closer to the U.S., rising labor costs across many parts of Asia, especially in China, have erased the traditional cost advantage of the region, the study said.

For instance, while the labor cost in China was one-tenth of that in the U.S. in 2005, it's narrowed to about one-third, the study said. A case in point: A pair of jeans in 2016 and 2017, including 30-day ocean freight shipping, cost $12.04 a pair when made in China, but it cost only 17% more, or $14.05, to be made right in the U.S. That cost premium would be worthwhile, the study said, considering the shipping time saved and thus the possibility of selling products at full price or with little discount.

Factoring in two-day truck shipping, making that pair of jeans in Mexico actually cost just $10.57, or 12% less than making it in China, the McKinsey study said.

“The economic advantage (of producing in China) starts to diminish," Magnus said Thursday.

To be sure, even though there's a case to be made to move some production back to or near the U.S. or Europe, the reality is that China and other Asian markets have built a sophisticated and modern manufacturing footprint that will be hard to replicate, according to the study.

“We’ve been talking the past five years about” moving production back, Reebok’s Swan said. “We have an infrastructure problem.”

The current import volume from the five biggest “nearshoring” markets to the U.S. doesn’t make up even half of the U.S. import volume from China, the study said.

“In nearshore countries for U.S. and European apparel markets, the existing capacity is limited, and local yarn and fabric supply varies greatly,” the study said, adding that the well-developed European fabric and yarn industry is focused only on luxury customers. “Building new yarn-spinning and fabric mills takes time and requires high capital expenditure. ... China plays a lead role as a supplier for yarns and fabrics also for neighboring low-cost sourcing countries.”

Still, despite the challenges, expect a gradual shift in apparel production toward home, thanks to such technology as 3D printing and robots and other automation. For instance, up to 90% of the time spent sewing — the most labor-intensive part of making a garment, representing more than half of the total labor time per garment — has the potential to be automated, the study said.

More than four-fifths of the executives surveyed said that by 2025 they expect simple garments to be "fully automated," translating to more than 80% of labor reduction, Magnus said.

Meanwhile, digital printing could reduce labor for finishing garments by as much as 70%. For instance, Levi’s is testing using laser technology to finish its distressed-styled jeans instead of having a factory worker manually making holes and tears.

As a result, the finishing time for a pair of jeans was cut to 90 seconds, from 20 minutes, according to the study — and that also makes it possible for an apparel company to bring the finishing process closer to home.

“Automation has the potential to make near- and onshoring economically attractive by 2025,” Magnus said.

Source: forbes.com- Oct 13, 2018

HOME

****

China September exports surge, creating record surplus with U.S. despite tariffs

China’s vast export engine unexpectedly kicked into higher gear in September, producing a record trade surplus with the United States that could exacerbate the already-heated dispute between Beijing and Washington.

Analysts said last month’s strong export growth - which might indicate U.S. tariffs are not biting much yet - is unlikely to be sustained.

But the robust numbers reported on Friday by China’s customs agency - the last ones from China before U.S. congressional elections on Nov. 6 - could prompt a reaction from U.S. President Donald Trump.

September exports rose 14.5 percent from a year earlier, the fastest pace since February, the customs data showed. That was well above August’s 9.8 percent and a Reuters poll forecast of 8.9 percent.

“The big picture is the Chinese exports have so far held up well in the face of escalating trade tensions and cooling global growth, most likely thanks to the competitiveness boost provided by a weaker renminbi,” said Julian Evans-Pritchard, senior China economist at Capital Economics.

“With global growth likely to cool further in the coming quarters and US tariffs set to become more punishing, the recent resilience of exports is unlikely to be sustained.”

YUAN DEPRECIATION

A weaker yuan CNY=CFXS, which has depreciated about 6 percent against the dollar this year, may have taken the sting out of the tariffs imposed on $250 billion of exports to the United States.

Despite concerns from some officials about the yuan's depreciation, U.S. Treasury staff have not recommended labeling China as a currency manipulator in a coming report on foreign exchange rate practices, according to media reports on Thursday.

China's politically-sensitive surplus with the U.S. was $34.13 billion in September, surpassing the record of $31.05 billion in August.

Beijing's export data has been surprisingly resilient to tariffs, possibly because companies ramped up shipments before broader and stiffer U.S. duties went into effect, raising concerns about a sharper drop in export strength once all tariffs kick in.

"The front-loading impact is quite obvious to me," said Betty Wang, senior China economist at ANZ in Hong Kong.

She cited a jump in exports of electrical machinery - the biggest export item from China to the U.S. - as a sign exporters might have pushed out shipments ahead of implementation of the latest tariffs on $200 billion in Chinese exports.

'FURTHER DOWNSIDE RISK'

Along with electrical machinery, exports for textiles, furniture and chips all rose faster than in the previous month, the customs data showed.

"If that's the case then I think further downside risk can be expected in the fourth quarter," Wang said.

Li Kuiwen, a spokesman from the country's customs agency, also told reporters trade growth may slow somewhat in the fourth quarter.

The world's two biggest economies last slapped tit-for-tat tariffs on each other's goods on Sept. 24. There is no specific date set for the next round of tariffs, even as Trump has made repeated threats to impose them on virtually all Chinese goods.

China's exports to the U.S. continued to rise at a double- digit clip in September compared with a year earlier, while imports fell for the first time since February.

Over the first nine months of the year, China's surplus with its largest export market totaled $225.79 billion, compared with about $196.01 billion in the same period last year.

Growth in overall imports for September instead showed a moderate slowdown, in line with signs the broad cooling in domestic demand.

Imports rose 14.3 percent in September, versus a 19.9 percent gain in August, slightly missing analysts' forecast of a 15.0 percent growth.

Iron ore imports rose to their highest level in four months as steel mills ramped up output ahead of winter production restrictions.

FEELING HEAT

For trade with all countries, China logged a surplus of $31.69 billion for September, compared with forecasts in a Reuters poll for $19.4 billion and August's surplus of $27.89 billion.

China's economy is feeling some heat from tariff dispute and signs of slowing that prompted the central bank on Sunday to loosen policy by cutting banks' reserve requirement ratio (RRR) for a fourth time this year.

Growth in China's factory sector in September stalled after 15 months of expansion, with export orders falling the most in more than two years, a private business survey showed. An official survey also confirmed a further manufacturing weakening.

To shore up growth, Beijing has pledged to increase export tax rebates from Nov. 1 for the second time this year and promised to cut corporate burden on a larger scale to help struggling Chinese firms.

The International Monetary Fund on Tuesday cut its global economic growth forecasts for this year and next, saying that the U.S-China trade war was taking a toll. It also slashed China's growth forecast for next year to 6.2 percent from 6.4 percent.

China will cut import tariffs on a wide range of goods beginning on Nov. 1, as part of Beijing's pledge to take steps to increase imports this year amid rising tension.

Source: in.reuters.com- Oct 13, 2018

HOME

****

Industrial park in Ethiopia builds friendship with China by bringing jobs, skills to local people

A Chinese-built industrial park in Ethiopia has been helping the African country with its industrialization drive.

Thirty-seven kilometers south of Addis Ababa, capital of Ethiopia, the Eastern Industry Zone has attracted 85 companies to build factories, making clothing, textiles, shoes, cement, medicine and automobiles.

Inaugurated in 2010 by Chinese investors, the industry zone is the only overseas economic and trade cooperative zone that is supported by Ethiopia at the national level.

The LED screen at the park gate displays Chinese characters reading "China-Africa friendship, cooperation and win-win" every day. Beside the screen, local people gather, waiting for job opportunities.

The park has provided more than 10,000 work positions for local people.

A 27-year-old Ethiopian man, nicknamed Shanghai, is one of the first local employees of shoemaker Huajian Group in Ethiopia. After six years working in the Chinese company, including one year of training in China, he has become an assistant manager, earning more than 7,000 yuan ($1,012) a month.

"Thank you Chinese people, who taught me skills, culture and manners," he said.

In the 40-hectare Eastern Industrial Zone, Huajian produces for brands like Guess, Calvin Klein, Nina and other branded items. It set up its factory in 2011. In 2017, Huajian Group brought $31 million in foreign exchange income to Ethiopia.

Wu Yunfei, a Chinese worker in a printing and dyeing mill in the Eastern Industry Zone, said that even though he could not speak English, he got along well with local employees. "We use gestures and smiles... that's enough."

Ethiopian President Mulatu Teshome in August said Chinese investment plays an indispensable role in the East African country's industrialization drive, the Xinhua News Agency reported.

"A decade ago the land the Eastern Industry Zone currently lies on was just agricultural land, but with hard work it has become today a showcase of high quality industrial factories in sectors such as pharmaceuticals, pulp and textile," said Teshome, Xinhua reported.

The industrial park in Ethiopia is part of the story of how China has built overseas trade and economic cooperation zones in Cambodia, Vietnam, Pakistan, Zambia, Egypt, Nigeria and elsewhere.

Chinese companies have built 75 zones for economic and trade cooperation in 24 countries along the Belt and Road routes, contributing more than $2.2 billion of taxes and creating almost 210,000 local jobs by the end of 2017, according to official figures, Xinhua reported in April.

Source: globaltimes.cn- Oct 14, 2018

HOME

****

Philippines, US to discuss free trade agreement in November

The Philippines and the US have announced that they will start free trade negotiations in November in an effort to bolster bilateral economic ties.

The agreement, if inked, will be the second such US engagement in with an ASEAN-member nation, the first being with Singapore.

A Free Trade Agreement (FTA) with the US will give the Philippines another opportunity to attract investors and become a prominent business hub in the region, said Gamaliel Pascual, a former investment banker and consultant on international business and finance.

However, entering into an FTA will also pose a great challenge for the Philippine Government to show its political will to do things with transparency and accountability.

The Philippines and the US have already resolved issues related to the Trade and Investment Framework Agreement before commencing formal talks, confirmed Philippine Trade Secretary Ramon Lopez.

The move comes amid uncertainty over security ties between the two countries as the administration of President Rodrigo Duterte pursues an independent foreign policy.

“For the Philippines, a free trade agreement with the US would upgrade the current Generalized System of Preferences scheme wherein the US reviews zero-tariff privileges given to more than 3,000 Philippine products every three years,” an earlier report said.

An FTA will give Philippines a more permanent trading arrangement with the US, according to Lopez.

Lopez said he aims to “push footwear and garments as duty-free goods under the FTA” as Manila looks to revive its garments industry which has suffered greatly since 1995 as a result of the phaseout of the Multi-fiber Arrangement (MFA).

The MFA was an international trade agreement on textiles and clothing that imposed quotas on the amount of clothing and textile exports from developing countries to developed countries. The system guaranteed the Philippines markets for its exports of textiles and garments.

“We used to have that quota with the US, (which) was already removed, so we want to bring back … the garments industry,” Lopez said.

But for Pascual, as the Philippines enters into a free trade negotiation with the US it should start off by looking at America’s existing bilateral trade agreements with Mexico and Singapore.

He pointed out to Arab News that both agreements explicitly state that anyone who wants to trade with America must conduct themselves according to the US Foreign Corrupt Practices.

Pascual said a US-Philippines FTA will most likely follow the same template as the trade agreements with Mexico and Singapore.

“The expectation is that this is not an ordinary FTA because if you look at the two templates, it’s having the same transparency and accountability as in the US in terms of doing business. That’s the treaty requirement we are looking at here,” Pascual said.

The FTA, he continued, will give the Philippines another chance to become a prominent investment destination as it used to be back in 1950, 1965, and 1971.

“Here’s another chance because the US is again changing its focus. It’s another cycle, the opportunity to attract and be prominent as an investment destination.” But, he stressed, the Philippines Government must be prepared and willing to do things exactly the way they do things in the West.

“So the country has a choice. The US is, you want to say, imposing the Western way of doing business. And in the Western way of doing business (you have to follow) the standards, transparency, (and) accountability when you’re filing for a business permit.”

When completed, that’s already a treaty obligation, Pascual said of the FTA.

"So as I know, when you break a contract you get into a worse position so it's better not to sign the treaty in the first place (if we do not have the political will)," he continued.

But, he added: "If you show the political will, you can expect direct foreign investments like Singapore. Because up to now Singapore still gets 80 percent of all direct foreign investments into ASEAN ... simply because they follow transparency and accountability."

If that happens, "then we will do very well as a country," Pascual added.

Source: arabnews.com- Oct 14, 2018

HOME

****

Egypt seeks to weave cotton renaissance

Treading carefully among his sprawling green plants in the Nile Delta, Egyptian farmer Fatuh Khalifa fills his arms with fluffy white cotton picked by his workers.

Durable, fine and luxuriously soft, cotton sourced from Egypt has long been seen as the best on the market.

But recent years have been far from smooth for the North African country's farmers.

"I cultivate 42 hectares (104 acres) and it's expensive ... while the price (of cotton) is very low", said Khalifa, who has been growing the premium long-fibre variety for over 30 years.

Profits are "meagre", he lamented, his head shaded by his cap from the unforgiving sun on his farm in Kafr El Sheikh.

Cotton was once Egypt's main source of wealth in the 19th century, as the Nile Delta provided fertile grounds for the crop used to make the towels, sheets and robes coveted by Europe's burgeoning bourgeoisie.

But decades of fierce international competition has diminished returns.

Well-marketed short-fibre cotton—while lower quality than the long-fibre variety—looks good and has increasingly been used by textile giants, dealing a heavy blow to Egyptian players.

The United States and Brazil are now the world's top cotton exporters, according to this month's report by the US Department of Agriculture, followed by India and Australia, leaving Egypt trailing far behind.

Back in 1975, Egypt exported $540 million of cotton. By 2016, the sector's export receipts had fallen to $90.4 million, according to the Massachusetts Institute of Technology.

Major challenges

The popular uprising that toppled president Hosni Mubarak in 2011 dealt a fresh blow to the cotton sector, as political and economic chaos hit production and export chains.

Egypt's output of cotton fibres fell as low as 94,000 tonnes in 2013, according to the UN's Food and Agriculture Organization, down from 510,000 tonnes in 1971.

Last year brought producers some respite, thanks to rising prices and higher export volumes.

But a trade spat between the US and voracious importer China has seen benchmark global cotton prices fall afresh, as traders take fright over Beijing imposing tariffs.

The commodity was trading at a shade under $0.77 per pound (0.45 kilos) in early October, after reaching $0.95—the highest level in more than six years—in early June.

Egypt's cotton union says buyers are even demanding lower prices, without triggering any intervention by the government.

Productivity, modernisation

Others offer a different diagnosis of the sector's ills.

"The drop in prices is not in itself a bad thing", said Ahmed El-Bosaty, CEO of Modern Nile Cotton, one of the biggest companies in the sector.

Bosaty said the major challenge is boosting productivity.

"A rise in productivity rather than prices would ensure better incomes for workers", he said.

A cotton expert at the agriculture ministry acknowledged that modernisation is key.

"Productivity is rising", said Hisham Mosaad. But cotton enterprises must invest in mechanisation, as the industry is still entirely manual, he added.

Another challenge is that few Egyptian firms make finished products.

"We produce raw cotton for direct export", said Mohammed Sheta, director of research at the Kafr El Sheikh cotton institute.

Egypt does not have "the factories or the means allowing us to transform it into fabric", he lamented.

State reforms

The state has tried to spur activity, boosting areas under cultivation over the last four years by around 50,000 hectares, to more than 140,000 hectares.

In an experimental move, the government in September even allowed the cultivation of short-fibre cotton, but only outside the Delta region.

Experts and farmers remain sceptical, believing Egypt will struggle against foreign heavyweights in the short-fibre market segment.

But many companies see the situation as urgent.

Even though official exports of Egyptian cotton rose 6.9 percent by volume in the three months to the end of May compared to the same quarter of 2017, there was a 57.9-percent fall in consumption of Egyptian cotton at home, due to the domestic market turning to imported products.

At the high end of the value chain, designer Marie Louis Bishara runs one of the few Egyptian firms that produces high quality finished products locally for the international market.

Young men and women work side by side in her modern factory in northern Cairo, in roles ranging from overseeing looms to packing finished shirts.

Promising Egyptian quality, she has dedicated one of her lines to local long-fibre cotton.

"We try to show the world that if you want to make luxury products, you have to use extra long cotton from the Delta", she said.

Shirts, trousers and jackets stamped "Made in Egypt" have gone from the design stage on her factory floor to grace shop shelves in France, Italy and her home country.

Source: mmtimes.com- Oct 11, 2018

HOME

****

Levi Strauss sees double digit growth in Q3FY18

Levi Strauss & Co., one of the largest apparel brands, has witnessed double-digit revenue growth in the third quarter of fiscal 2018. Gross margin for the third quarter was 53.2 per cent of net revenues compared with 51.8 per cent in the same quarter of fiscal 2017, reflecting the margin benefit from revenue growth in the global direct-to-consumer channel.

Net revenues grew 10 per cent on a reported basis and 11 per cent excluding $14 million in unfavourable currency translation effects, driven by broad-based Levi's brand growth in all regions and channels.

On a reported basis, direct-to-consumer revenues grew 14 per cent on performance and expansion of the retail network, as well as e-commerce growth. The company had 65 more company-operated stores at the end of the third quarter of fiscal 2018 than it did a year prior. Wholesale reported revenues grew 8 percent reflecting higher revenues in all regions.

The company's net income increased $40 million primarily reflecting lower income taxes, higher operating income and gains on the company's hedging contracts as compared with losses in the third quarter of fiscal 2017.

Selling, general and administrative expenses (SG&A) were $583 million compared with $510 million in the same quarter of fiscal 2017. SG&A as a percent of net revenues grew 160 basis-points compared to the same quarter of fiscal 2017 primarily reflecting higher selling and planned advertising expenses. Higher incentive compensation expenses in the quarter were offset by an adjustment made in the third quarter of 2017 to correct the timing of stock compensation accruals for retirement eligible employees.

Operating income for the third quarter of fiscal 2018 was $159 million was up 8 per cent for the third quarter compared to the same quarter of fiscal 2017 reflecting the revenue growth and higher gross margins, partially offset by higher SG&A.

"We delivered our fourth consecutive quarter of double-digit revenue growth," said Chip Bergh, president and chief executive officer, Levi Strauss & Co. "This growth was broad-based across virtually every part of our business, including all four brands, men's, women's, tops and bottoms, and all regions and channels, with results that put us among the top performers in the industry."

Cash from operations for the first nine months of the year was $205 million, a decrease of $90 million from last year. The decrease primarily reflects accelerated contributions to the pension plans that it made in connection with the change in tax law.

Free cash flow for the first nine months of 2018 was negative $14 million, a decline of $162 million compared to the first nine months of fiscal 2017. This was due to the decrease in cash from operations as well as higher repurchases of common stock in connection with our equity incentive programme.

Source: fibre2fashion.com- Oct 14, 2018

HOME

****

Pakistan: Hike in prices of non-imported goods flayed

The Union of Small and Medium Enterprises (UNISAME) has invited the attention of the price control authorities to the uncalled-for increase in prices on the pretext of depreciation of the rupee by those manufacturers who are not really affected by it.

UNISAME President Zulfikar Thaver said a fraudulent practice has been adopted by some sectors who have increased their prices although they were not affected by the devaluation of the rupee and were fully indigenous and not dependent on imports.

"This behaviour has given a major setback to the cotton textiles, rice and other exchange earning industries," he noted, urging the government to check as to why they have increased their prices on this pretext.

Thaver said the SME exporters were looking forward to reducing their invoice prices taking into consideration the Pakistani rupee, but their plans were negated due to the unexpected increase in prices of raw materials by the greedy local manufacturers who were taking undue advantage of the situation.

Thaver said the price control authorities in all the provinces of the country must take note of the situation and keep a check on the prices, adding that only those manufacturers who were affected by the depreciation of the rupee be allowed to increase their prices and that too only to the extent of the burden imposed on them.

He said the Price Control and Prevention of Profiteering and Hoarding Act, 1977, forbids illegal increase in prices and the federal and provincial governments must act promptly to address the situation.

Source: pakistantoday.com.pk- Oct 14, 2018

HOME

****

NATIONAL NEWS

Textile industry urged to diversify into new markets and products

A majority of India's textile and clothing exports are to countries with which there are no free trade or preferential trade agreements, said Aditi Das Rout, Trade Advisor, Ministry of Textiles.

At a meeting organised here on Friday by the Indian Texpreneurs' Federation, Ms. Rout said India's textile and clothing exports are almost stagnant for the last five years.

The top destinations for the textile and clothing exports from the country are the US and the European Union. Substantial exports are also to emerging markets such as the UAE, Bangladesh, and China. Nearly 63 % of the exports are to markets where there are no free trade agreements, she said.

India has 10 Free Trade Agreements and six Preferential Trade Agreements. "We need to analyse why our trade has not performed despite the agreements," she said. Such agreements look at various issues and compliances that prove expensive for the small and medium-scale businesses.

The textile and clothing industry is largely fragmented and is with SMEs. Ms. Rout urged the industry to diversify into new markets and products, using branding as an effective tool, and invest to achieve economies of scale.

The Ministry of Textiles plans to handhold SMEs with trend forecasting services and have display locations and warehouses in potential and emerging markets. This is to give the exports more visibility, she said.

Keshav Chandra, Joint Secretary in the Union Ministry of Commerce, said the Government is working on a National Trade Portal. The first module of the portal is expected to be up and running from August-September next year.

The portal will have four dimensions - logistics, online certification systems, financial systems, and compliances.

The textile and clothing exporters are struggling to compete with countries such as Vietnam and Bangladesh. There is lack of nimbleness in the industry and Government.

“We are not fast enough to see what the next option is,” he said. The official suggested having a focused group for each country and study the export-import trends and issues.

The Indian Texpreneurs Federation presented a report on “Competition Analysis and Way Forward for FTAs for Indian Textile Sector”. The report says India faces competition from Pakistan mainly because Pakistan receives zero duty market access in EU. In general, the country’s textile and clothing exports have tariff disadvantage ranging from 1 % to 40 %.

The way forward is to seek better market access under current FTA negotiations and have mutual recognition agreements with major export markets to combat impact of non-tariff barriers.

Source: thehindu.com- Oct 11, 2018

HOME

****

Govt to form national trade portal to cut logistics cost: Commerce jt secy

He says the portal would include online certificate system since there were 88 government entities delaying the process of certification

The union ministry of commerce and industry is in the process of forming a national trade portal to lower logistics cost and link all stakeholders in domestic and import trade, joint secretary to the ministry Keshawva Chandra has said.

At a workshop on 'Indian textile sector-competitive analysis and way forward for free trade agreements (FTAs),' held here Friday, he said the portal would include online certificate system since there were 88 government entities delaying the process of certification.

Also, he discussed about the problems the textile industry was facing.

In her address, trade advisor to the union ministry of textiles Aditi Rout said the FTAs were not a panacea to boost exports 63 per cent of which were going to markets without the FTA.

Earlier, an expert on international trade and advisor to the Indian Texpreneurs Federation Sudhakar Kature said the way forward was to seek better market access during the ongoing negotiations on FTA the ministry initiated with European Union, Russia, Canada and other countries.

Another important aspect was to arrive at mutually recognised agreements with major export markets to combat the impact of non-tariff barriers which were imposed on account of quality, human protection and labelling, he said.

The workshop was organised by the Indian Texpreneurs Federation.

Source: business-standard.com- Oct 14, 2018

HOME

****

Cotton Corporation of India plans to purchase cotton from Nov 1

Cotton Corporation of India (CCI) proposes to open 43 cotton purchase centres in the state to purchase cotton because cotton arrivals will start in the next 15-days.

Taking demand into consideration, the Central government has fixed Rs.5,450 as minimum support price (MSP) per quintal. The MSP for cotton was Rs 4,350 per quintal during last year.

The farmers who suffered losses due to falling of chilli prices during the last season shifted to cotton. As a result, cotton cultivation area increased to 6-lakh hectares in the state including 2.49 lakh hectares in Kurnool district during this season.

The details of cotton cultivation are as follows: In Guntur district 1.68 lakh hectares, in Krishna district 48,000 hectares, in Anantapur district 45,000 hectares, Prakasam district 37,000 hectares, East Godavari district 13,000 hectares and Vizag district 11,000 hectares.

When the CCI purchased cotton at Rs. 4,350 last year, it was sold at Rs. 6,000 per quintal in the open market. When the Central government fixed MSP for cotton Rs.5,450 in the present season, the cotton is price expected to go up in the open market.

A P Cotton Association is expecting 60-lakh bales of cotton exports to China during the season due to increase of demand for cotton in the international market. When exporters get orders from China, demand for cotton will increase in the domestic market and the farmers will benefit.

A.P.Spinning Mills Association honorary president G Punnaiah Chowdary said, ``Farmers got on an average 10 quintals yield per acre in state. Due to drought caused by deficit rainfall, the cotton fields were damaged in the state.

However, we are expecting export order from China during this season. China government increased import duty on cotton imports from America. As a result, India will get more exports orders from China. I am expecting India will get at least 60 lakh bales export orders from China during this season."

Source: thehansindia.com- Oct 15, 2018

HOME

****

Meghalaya gets Rs 7.8 cr for construction of textile tourism complex

Minister of State for Textiles, Ajay Tamta on Saturday said that the Ministry would release Rs 7.8 crore for the construction of a textile tourism complex in Nongpoh, Ri-Bhoi district of Meghalaya.

The Union Minister further informed that the funds would be released within 15 days.

He visited various weaving centers in Shillong on Saturday and said that the NBCC has completed the construction of an apparel center worth Rs 14 crores in the state.

Tamta even assured to provide all necessary infrastructure and machinery to the apparel centers so that local garments could be exported throughout the world.

Source: business-standard.com- Oct 14, 2018

HOME

****

Envoy calls for bigger Indian investment in Bangladesh

Bangladesh High Commissioner to India, Syed Muazzem Ali, has called on the Indian business people to boost their investment in Bangladesh to reap the benefits of the country's rapid economic growth and business-friendly environment.

While speaking at the Pondicherry Global Economic Summit and the Fifth World Tamils Economic Conference in Pondicherry on Saturday, Ali suggested the establishment of a series of "buy-back" projects, where Indian investors will set up industries in Bangladesh and re-export to India and in some other neighbouring countries.

"Similar equation exists between US-Canada and US-Mexico. Through these buy-back projects, within a very short time, Canada and Mexico have emerged as the largest trading partners of the US. If they can do it, we can do it as well," the envoy said.

He further urged the Indian investors to take advantage of Bangladesh's competent labour costs and close proximity to North-East markets.

Ali mentioned that several Indian mega companies like Hero-Honda, Tata group and CEAT Tyre companies have set up such projects in Bangladesh. These are small projects, but we need much bigger investments. If we could engage in bigger projects, this will also ensure the stability of our relationship, he added.

Ali said that Bangladesh and India may delve into joint venture partnership in important sectors such as agro-processing, automobiles, ceramics, chemicals, gems and jewellery, light engineering, Information and Communications Technology (ICT), hospital and medical equipment, pharmaceuticals, plastics, professional services, tourism, and textiles (including home textiles).

The High Commissioner further said that Bangladesh would need substantial investment to broaden its exportable base. "It is little unfortunate that investment opportunities for Indian industrialists in Bangladesh had not been fully explored in depth so far," he added.

Ali underlined that Bangladesh government has given maximum importance to transform the country into one of the most favoured investment destinations in South Asia and all the policies and practices are now in place to create a favourable environment to carry out necessary businesses of the investors.

Massive reforms have been undertaken in service deliveries of the associated ministries, departments and agencies to ensure world-class services for the investors, he said.

Ali added that Bangladesh is being considered as the most liberal and business-friendly economy in the region and one of the most attractive destinations for business and investment. He said that the country's investment climate offers generous and attractive packages of incentives to investors.

The envoy further stated there is no discrimination between the local and foreign investors. "Prevailing laws and practices fully guarantee the safety of the investment and their returns. Geographically, also, Bangladesh is located in such a position, where it can act as a hub of connectivity between South and South-East Asia," Ali said.

"Bangladesh's rising economic trajectory is also a testimony that Bangladesh offers a huge opportunity to the investors. Just a day ago, one of the Indian news portals carried out an article where they mentioned that Bangladesh is no more a backward neighbour in the region, rather Bangladesh is better off than its neighbours in socio-economic progress in recent years," he added.

The report cited that according to the Asian Development Bank (ADB), Bangladesh is expected to post a growth rate of 7.5 per cent in 2018-19.

According to the United Nations Conference on Trade and Development figures, Bangladesh's per capita income grew by 39 per cent. According to some estimates, if the country continues to keep up its Gross National Income (GNI) and GDP growth at the same pace for the next two years, it is expected to emerge as one of the highest per capita income countries in South Asia by 2020.

"I believe, you all know that recently we have qualified by the United Nations for graduation from LDC (Least Developed Country) status to a Middle Income Country or Developing country. If all these positive trends continue, we expect to implement Prime Minister Sheikh Hasina's 'Vision 2041' to make Bangladesh a developed country by the year 2041," the Bangladesh High Commissioner to India told in the business summit.

Source: business-standard.com- Oct 14, 2018

HOME

****

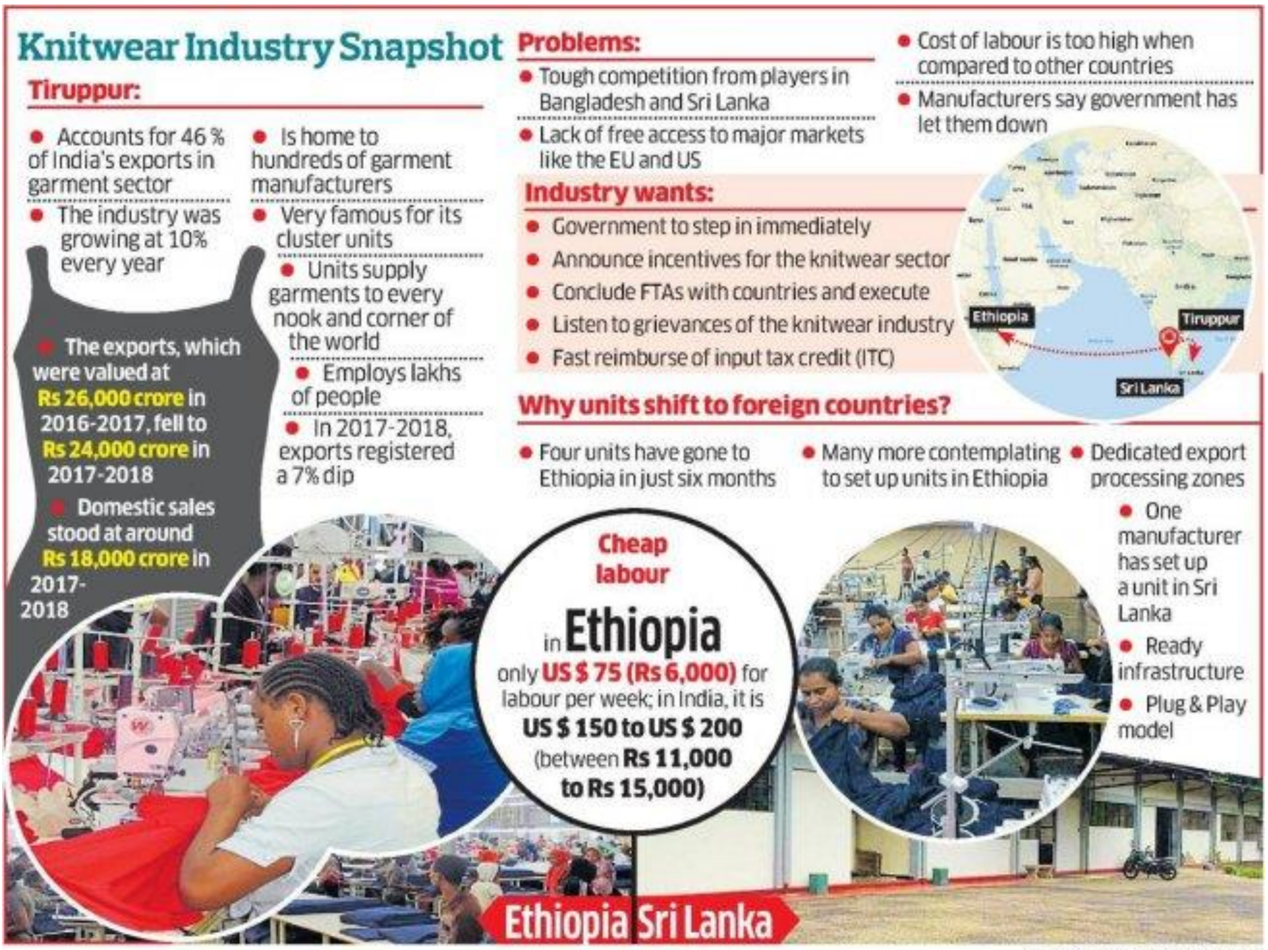
Tiruppur ‘exports’ garment units to Ethiopia, Sri Lanka

Tiruppur, India's knitwear hub known for its cluster units, seems to be crumbling slowly.

The multi-crore industry, which faced the brunt of demonetisation and GST, is staring at near existential crisis with many garment manufacturers opening their units in far-away Ethiopia and neighbouring countries like Sri Lanka that provide free access to major markets like the US and EU (European Union).

In the past six months alone, four well-known garment manufacturers who excelled in the sector for decades together have opened their factories in Ethiopia, which offers excellent infrastructure facilities to those starting their businesses, while one has gone to Sri Lanka.

While a few manufacturers went to Bangladesh in the past, many are now turning to another neighbour - Sri Lanka, which has a geographical advantage over others since the flying time from Coimbatore to Colombo is just 70 minutes.



DH INFOGRAPHICS: GANGADHAR R

Why are they shifting?

Most manufacturers who have opened their factories in foreign countries cite cheap labour, free market access to EU and US, readily available infrastructure facilities and absence of red-tape as major reasons for their move.

In India, they say, lack of support from government machinery and too much of red tape hinders smooth running of businesses.

The move comes even as the industry, which was growing at more than 10% every year, reported a 7% dip for the first time since 2011, resulting in loss of a whopping Rs 2,000 crore.

The exports, which were valued at Rs 26,000 crore in 2016-2017, fell to Rs 24,000 crore in 2017-2018 and the domestic sales stood at around Rs 18,000 crore.

India does not have free market access to EU and the US - major buyers of garments - and this puts manufacturers in Tiruppur at a disadvantageous position since entry tax is levied once goods reach the destination countries. While Bangladesh and Sri Lanka have free access to the EU, Ethiopia offers free access to both the EU and the US - making these countries "better clients" for buyers.

"The latest trend of companies from Tiruppur opening their units in foreign countries is alarming as it hurts the Indian industrial climate and the economy. This industry would thrive as long as mankind exists and there should a holistic approach towards saving this industry here in India," Raja M Shanmugham, President of Tiruppur Exporters'' Association, told DH.

Shanmugham said the problems faced by the knitwear industry in Tiruppur have been "capsulated" by countries like Uganda, Ethiopia, and Kenya who are eyeing the lucrative garment market. Trade and Industry delegations from these countries visited Tiruppur in the recent past with assurances that they want to build "new Tiruppurs" in their respective countries.

Garment manufacturers want free access to EU and other major markets and ask the government to conclude FTAs and operationalise them. They also want the incentive duty drawback restored back to the earlier percentage of 7.6 which was reduced to 2%.

S Balasubramanian, Managing Director of Jay Jay Mills, spoke in detail about hurdles being faced by manufacturers in servicing a customer in India and says despite "serious civil unrest" that is quite common in African countries, factories don't lose their working day unlike in India. "Customer service is paramount for us. We went to Sri Lanka way back in 1998 and launched a factory in Bangladesh in 2009.

Only a few months back, we went to Ethiopia mainly because of free market access to the US. Since a majority of our buyers are in the US, we decided to move to the African country to serve our customers much better," he told DH. Opening factories in far-away countries brings in a lot of exposure to garment manufacturers and allow them to learn better market practices that prevail across the globe, he said. "It is quite easy to do business in countries like Ethiopia where they have dedicated export processing zones besides the lucrative free access status," he added.

R Rajkumar, Managing Director of Best Corporation which has set up a factory in Hawassa in Ethiopia, told DH that while the labour cost in Tiruppur is $150 to $200 (between Rs 11,000 to Rs 15,000) a week, it is just $75 (Rs 6,000) in Ethiopia. While in India, they hire separate labour for stitching packing and so on, in foreign countries they train their labour to multi-task, saving much more on the cost involved.

Plug and play model

In Ethiopia, the government keeps ready the infrastructure for the garment manufacturers - all they have to do is to go with their machines, hire employees, train them and have their factory up and running. "The plug and play model is what attracts manufacturers like us.

We don't have to go through the hassles of looking for land, constructing a building and get permissions. Everything is done by the Ethiopian government and all we have to do is to start our operations once we are there," he said. Rajkumar, who launched operations in Hawassa in Ethiopia a couple of months ago, says they are running the show currently with 500 machines in two shifts.

"Our plan is to have a total of 2,000 machines and we will reach the capacity gradually. Though there are challenges in training the labour, the infrastructure available makes us forget everything else," he said.

Only the factories have shifted to foreign countries, but the raw materials are still produced in Tiruppur and taken to these nations, the manufacturers say. N M Ravichandran, a partner of Santex Inc that has opened a factory near Kandy in Sri Lanka, says free market access to the EU lured him to the neighbouring country.

"Since it is a customer-driven industry, all we need to keep in mind is the needs of our customers. We launched just four months ago, and we are very happy with the way things are moving," Ravichandran said.

Another advantage that Ravichandran cites in having a factory in Kandy is that they could employ Tamil-speaking people in their factories.

"In Tiruppur, we need to hire labour separately for stitching, packing and so on. But in Sri Lanka, we have trained our employees in multi-tasking and they do almost everything which works into our advantage," the exporter said. Shanmugam also rued the indifferent attitude of those in power and bodies that represent industries towards Tiruppur and its clusters.

"When ambitious entrepreneurs go and propose innovative ideas and seek some support, we are looked at as if we seek alms from them. That attitude has to stop if Tiruppur has to remain relevant in the global market," the president of TEA said.

Source: deccanherald.com- Oct 14, 2018

HOME

****

India needs to expedite structural reform process by building consensus: IMF officials

India should expedite the structural reform process by working to build consensus, according to senior IMF officials who said the country needs land and labour market reforms to achieve sustained growth.

Changyong Rhee, Director of the Asia and Pacific Department at the International Monetary Fund, said that India has some of the world class economists and there is no dearth of good policies, the issue is with their implementation.

“I don’t know whether my Indian colleagues will like it or not. Just do it. Stop talking,” Rhee told PTI in an interview when asked what India needs to do to achieve high sustained growth.

“India is, of course, a democratic society, so consensus needs to be first built. It is in that context, though, that India needs to expedite the reform process first, by working to build consensus and agreement and then followed by implementation,” he explained.

“I think, the real issue is whether India is ready to implement; even though gradually, even though one by one. That is why I liked the Modi Government because it is starting to implement it.”

Rhee said that “reaching consensus” is much harder in India than in China, but it should not be an excuse for “not doing the reforms”.

Overall, the IMF sees positive sign of the structural reforms and believes that it will be an important for India top continue with them.

“If you look at the other reforms that India has to do, there is a more daunting task,” he said.

In its latest Asia Pacific Regional Economic Outlook on October 9, the IMF has projected the Indian economy to grow at 7.3 per cent in FY2018/19 and 7.4 per cent in FY2019/20. It was revised down by 0.1 and 0.4 percentage points, respectively from its previous projections, due to higher oil prices and further monetary policy tightening.

Near-term growth will be underpinned by strengthening investment and robust private consumption. The current account deficit has been revised up to three per cent of the GDP in FY2018/19 because of rising oil prices and strong demand for imports, the report said.

Ranil Salgado, another IMF official said, that the Modi government has done a number of structural reforms.

“We have the inflation targeting framework. We have the insolvency and bankruptcy code and also importantly the national Goods and Services Tax. Those are some of the key reforms and then they’ve done a bunch of smaller reforms including improving the business climate, liberalising FDI investment regime,” Salgado, the IMF’s mission chief for India, said.

“Then finally they had been focused on macroeconomic stability. Overall, we rethink that this has improved the underlying fundamentals of the economy,” Salgado said.

He said that India had also been able to build some of the buffers like foreign reserves have gone up substantially for most of the time, except in the last six months or so.

But some of the key structural challenge remain, he said, adding that “product market type reforms” are needed as well as for land and labour market reforms.

"That's what we think will be important going forward to raise investment, job growth and productivity," Salgado said.

Responding to a question on recent depreciation of the Indian rupee, Salgado said India has faced some of the volatility seen in other emerging markets.

"For India, we think it's primarily reflecting the widening of the current account, which primarily reflects higher oil prices and also the relative strengthening of the Indian economy," he said.

At the same time, the emerging market volatility, has led to slow down for some months of capital inflows and in some months actually a reversal, the top IMF official said.

"So overall India has run a balance of payments deficit and that the RBI has allowed the exchange rate to be flexible and that's in line with our own recommendations to act as a shock absorber," he said.

In the last couple of weeks, India has taken a few other steps, some of which the IMF thinks are quite positive, such as further liberalising capital inflows.

India, he said, is committed to trade liberalisation as well as quite committed to the global trade system.

Rhee said China maintained well over seven, sometimes 10 per cent, growth rate for more than a decade. So the issue is can India actually maintain this seven plus growth rate for more than a decade.

So the real question is that whether India can actually maintain this high growth rate, he said.

"As we mentioned that India, finally the elephant is started to run, our view is quite optimistic because when we want to really commend the structurally formed part, the macro economic performance, growth is result of this structure reform," he said.

Don't be judged by the short-term fluctuation with the market, Rhee said.

“If you focus on whether India can achieve a higher growth rate for next 10 years, it depends on the success of structural reform and whether the structure reforming can continue,” he said

And compliment to the Modi government because previously (in) India, there are lots of discussions over structural reform, but there’s not much movement in some sense, he said.

Source: financialexpress.com- Oct 14, 2018

HOME

****

Centre to urge PSBs to ease lending to exporters

Priority status for export sector in the pipeline

Amiti Sen Responding to the crisis faced by exporters due to a sharp dip in credit flow to the sector, the Finance Ministry has urged public sector banks (PSBs) to loosen their purse strings.

“The liquidity crunch being faced by small exporters is a matter of concern for the government. The issue was discussed by the Commerce Ministry with the Finance Ministry, which will hold a meeting with public sector banks to direct them to lend more to exporters,” a government official told BusinessLine.

One of the biggest challenges facing the sector right now is dwindling credit from the banking sector, said Ganesh Gupta, President, Federation of Indian Export Organisations (FIEO).

“Even getting renewal of limits is taking abnormal time with huge documentation requirement,” he said. Export credit declined by 26.4 per cent in FY18 and 21.1 per cent in Q1 FY19, he added. It June, it touched a high of 42.7 per cent.

The Prime Minister’s Office (PMO) has also expressed concern over the matter and wants the RBI and the Finance Ministry to explore if the export sector could be given priority status in terms of lending from banks, the official added.

Under the guidelines, domestic and foreign banks with at least 20 branches are required to lend a minimum of 40 per cent of their total loans to the priority sector (agriculture, micro enterprises, education, social housing, etc).

Limited coverage

The priority sector norms already cover exports, though in a limited way.

The RBI has stipulated that for units with a turnover of up to ₹100 crore, banks should provide incremental export credit over the corresponding date of the preceding year, up to 2 per cent of the total credit subject to a sanctioned limit of ₹25 crore per borrower.

“Since the current provisioning does not cater to all exporters, there is a need to include exports in the priority sector as a whole,” the official said.

Commerce Minister Suresh Prabhu has been trying to convince the RBI to extend priority sector status to the export sector for a while now.

“Exports promote India’s interest and therefore it’s a strategic priority for India. But it’s not a priority lending sector for banks. This is a complete paradox,” he said at a recent event organised by gems and jewellery exporters.

Source: thehindubusinessline.com- Oct 14, 2018

HOME

****

Amazon bids $400 mn for stake in Spencer's; deal stuck at valuation stage

RP-SG's food and grocery retail chain, Spencer's Retail, which is in talks with multiple players including Alibaba, has been offered more than $400 million by Amazon for a minority stake.

People familiar with the development said it is likely that Amazon was eyeing a 30 per cent stake. The deal with Amazon was believed to be in the penultimate stage but was held up due to valuation, the sources indicated. Both RP-SG and Amazon declined to comment.

Amazon, which has been on an overdrive to acquire stakes in offline retail firms and has been holding talks with multiple players recently acquired a 49 percent stake in Aditya Birla Group's Aditya Birla Retail, the balance was picked up by home-grown private equity fund Samara Capital for around Rs 42 billion roughly around $580 million. The buyers also said that they would take Rs 40 billion debt in ABRL, which runs stores under the 'More' brand.

According to sources, Spencer's wants a better valuation than what More got as it was a profitable chain and the return on investment would be more. However, sources at Amazon said that the valuation was being set according to the size and scale of the firm. "More is the fourth-largest supermarket chain in the country and runs 490 supermarkets and 20 hypermarkets.

Spencer's was expecting a profit before tax this year and it was already PBDT (profit before depreciation and taxation) positive.

Currently, at 138 stores, Spencer's would be adding another 10 this year. But the RP-SG retail chain has been following a strategy of growing profitably. A while back Spencer's had embarked on a store rationalisation spree. Also, Spencer's has positioned itself as an "aspirational player" rather than a steep discounter.

Sources pointed to the fact that Spencer's was in talks with multiple players including Alibaba. Alibaba officials recently met at the RP-SG headquarters. People in the know of developments added that Spencer's was also in touch with private equity players based in Singapore and West Asia. But it is understood that for Spencer's the first preference would be to do a transaction with either Amazon or Alibaba.

Industry insiders said that chances were that Amazon and Spencer's would come up with an agreeable deal number. The Indian unit of the Jeff Bezos-led firm also recently began formal negotiations with Kishore Biyani's Future Group to invest around $600-700 million for a 12 to 15 per cent stake in the retail major, it is learnt. The two entities have signed a term sheet to take the talks further, sources said. Although there's nothing binding about a term sheet, it denotes the two sides have officially entered talks for a deal.

The deal, if it fructifies, is likely to be a combination of cash and stocks. The development is significant as it comes soon after the world's largest retailer Walmart Inc. Closed the $16-billion deal to buy 77 per cent stake in leading e-commerce company Flipkart. Walmart and Amazon, rivals in America's e-commerce space, are preparing to compete aggressively in India. Amazon's proposed venture with the Future Group could possibly give the e-commerce giant an edge in physical retail.

Amazon is currently working on two major initiatives - reaching out to the non-English speaking population in the country through its vernacular platform and expanding its grocery business.

For the grocery push, while the company has started verticals such as Pantry and Amazon Prime Now, it's focused on an omni-channel strategy, where a brick and mortar ally could help.

In the US and Europe, Amazon has already started running pilots of brick and mortar retail stores. Earlier in the year, it bought Whole Foods for around $13 billion, helping it gain a massive brick and mortar footprint globally. In India however, Amazon's plan to tie-up with an offline ally would also help it comply with the foreign direct investment regulations in retail.

Amazon's offline play

- Amazan is loking at a number of potential acquisitions in offline space
- It is reportedly eyeing a 30 per cent stake in RP-SG's food and grocery retail chain, Spencer's Retail
- Amazon recently acquired a 49 per cent stake in Aditya Birla Group's Aditya Birla Retail

- The Indian unit of the Jeff Bezos-led firm is also in talks with Kishore Biyani's Future Group to invest $600-700 million for a 12 - 15 per cent stake in the retail major

Source: business-standard.com- Oct 14, 2018

HOME

****

US-China trade spat: Advantage India?

The country is well-positioned to meet China's fibre and soybean needs

Over the past several months, global markets have been roiled by a series of uncertainties in the form of geopolitical instabilities, sanctions, worsening trade friction and several 'event' risks. The ongoing trade war between two of world's largest economies — the US and China — with tariffs and retaliatory tariffs hurled at each other, is threatening to spiral out of control by sucking in more countries.

Global supply chains have been disturbed and are undergoing changes. It is very likely that the tariff war between the US and China will bring about structural changes in global commodity trade flows.

With tariffs and counter-measures making imports expensive and commercially unviable, the US has started moving goods meant for China to other countries, while China has begun sourcing raw materials from non-US origins to meet its ravenous appetite for growth.

Two major agricultural commodities in which the US has a large stake as an exporter, and China as an importer, are cotton and soybean.

Following the outbreak of the trade friction, China has gradually reduced its purchase of US origin cotton and soybean.

This has pressured US domestic prices down, and it is desperately looking to enter new markets or explore newer ways of liquidating its huge inventory.

Cotton in a bright spot

India could very well benefit from this evolving situation. As the world's largest producer of cotton, India is well-positioned to meet China's fibre needs. In recent years, China has been absent from the world market as a large buyer as it had to liquidate its burdensome stocks.

Now, it is keen to rebuild inventory and this is, therefore, an excellent opportunity for India. Large enquiries for Indian cotton have been flowing in from the Asian major in recent months. In a fortuitous development for cotton exporters, the rupee has been rapidly depreciating of late, lending exports a competitive edge. However, it may not all be smooth sailing.

While tightening demand-supply fundamentals should favour India in terms of higher export prices, our domestic output has fallen short of expectations.

Although widely believed to be somewhat understated, the Agriculture Ministry's first estimate of a 2018-19 crop of 32.5 million bales is less than the year's target of 35.5 million bales and below last year's 34.9 million bales. This could tighten domestic availability and result in higher prices, which is good for growers but not for consuming industries.

Soybean in favour

Indian soybean is another crop that can benefit from large-scale purchases from China. The country's harvest for 2018-19 is estimated at a five-year high of 13.6 million tonnes (mt), up from 11.0 mt last year.

However, given the minimum support price of ₹3,400 a quintal, Indian soybean is decidedly out-priced in the export market. India can potentially target China for supply of, say, 1.5-2 mt of the legume, which is less than 10 days' consumption for China; but will be a real big deal for India.

Any attempt to woo China for soybean supplies will, however, involve a heavy subsidy of about $ 100 a tonne.

The next option is, of course, export of soybean extractions or soymeal to China. Most likely, this will not involve any special subsidy; however, together with Indian rapeseed meal, soymeal exports to China have been mired in quality issues.

China looks at Indian-origin rapeseed meal and soymeal with disfavour. This is where the Centre must step in and engage with China to solve the legacy issue.

So, while Indian cotton enjoys a natural advantage and is more likely to satisfy the Chinese market, Indian soybean and soymeal export to China appears to be a tough proposition at this time, unless there is a game-changing development in the marketplace.

Source: thehindubusinessline.com- Oct 12, 2018

HOME

****

EPCH seeks 200-acre land from UP govt for handicraft park

Export Promotion Council for Handicrafts (EPCH) has sought a 200-acre land from the Uttar Pradesh government for setting up a handicraft park on the Yamuna Expressway, which is expected to attract direct investments worth Rs 3,000 crore.

The proposed industrial park shall house around 250-300 small and medium manufacturer exporters and provide a range of facilities including common facility centres, testing labs and raw material banks to boost their market competitiveness. It is expected to create 25,000-30,000 jobs.

"It is requested to grant EPCH a land parcel of 200 acre under Yamuna Expressway Industrial Authority in line with the textile policy of the Centre, which mandates provision of land with price rebates of 30 per cent," EPCH said in a letter to the Infrastructure and Industrial Development Department of UP, earlier this month.

EPCH Executive Director Rakesh Kumar said the proposed park would be shot in the arm for the handicraft sector of UP which is currently grappling with issues like high cost of credit, lack of access to modern technology, high cost raw materials.

"The manufacturer exporters at the handicraft park would benefit from multiple synergies emanating from industrial park being in the vicinity of Eastern Dedicated Freight Corridor and India Exposition Mart.

"The upcoming Jewar airport is also expected to give a major push to tourism and meetings, incentives, conferences and exhibition related visits in the region," Kumar told PTI. He said if the proposal does not go through with the UP government, EPCH may approach the Haryana government for setting up the handicraft park in the state.

Source: financialexpress.com- Oct 14, 2018

HOME

****

Whirring spindles rekindle hope among weavers

Revival of Sri Raja Rajeshwara Cooperative Spinning Mill Limited at Peddur on the outskirts of Sircilla textile town, — shelved in 2000 — by a private firm Venkateshwara Spintex Private Limited from October 1 has rekindled hopes among the powerloom weavers.

The State government had established the spinning mill to provide yarn for the powerloom industry here in 1994. Earlier, yarn was being sourced from Maharashtra, Gujarat and Tamil Nadu. However, the mill was closed down in 2000 after running into losses.

The State government had sold the mill to private person Ranga Ashok of Jagtial district who had operated it from 2005 to 2016. Later, even the private party stopped production at the mill due to escalation of power bills which touched ₹80 lakh and a penalty of ₹65 lakh. The Cooperative Electricity Society of Sircilla (CESS) had also disconnected the power supply to the mill.

Minister's intervention

When the mill's displaced employees bought the issue to the notice of Minister for IT and Municipal Administration K. Taraka Rama Rao, he immediately directed CESS authorities to allow the mill owners to pay their dues in easy instalments and provide power at the rate of ₹1.50 per unit on a par with the powerloom industry.

He also spoke to the bankers and ensured that the mill owners take up the revival of the unit.

Boon to powerloom

After modernisation of the spinning mill, Principal Secretary IT and Industry Jayesh Ranjan, along with Collector P Venkatarama Reddy had formally inaugurated the mill on October 1 in a low-key affair. The mill was set up with 23,184 spinning spindles to produce 5,700 kg of 40 count yarn cotton yarn per day and providing employment to 350 persons.

The revival of the spinning mill has come as a boon to the Sircilla powerloom industry, which consumes more than 40,000 kg of yarn per day. Raw material is available abundantly owing to cotton cultivation in the region, which would give another fillip to the mill to produce more yarn.

Collector P. Venkatarama Reddy said the revival of the mill has provided employment to more than 400 workers in the region. He added that Sircilla town would soon emerge as the textile hub with the availability of powerlooms, textile park, spinning mill and apparel parks.

Source: thehindu.com- Oct 14, 2018

HOME

****