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# IBTEX No. 188 of 2017 September 16, 2017

USD 64.15 | EUR 76.33 | GBP 87.13 | JPY 0.58

## Cotton Market (15-09-2017)

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 19553 | 40900 | **81.36** |

**Domestic Futures Price (Ex. Gin), October**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 18350 | 38384 | **76.35** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2017) | 69.12 |
| ZCE Cotton: Yuan/MT ( Sept 2017) | 15,570 |
| ZCE Cotton: USD Cents/lb | **91.57** |
| **Cotlook A Index – Physical** | **79.10** |

**Cotton guide**: The week has come to an end and cotton price is trading on the lower trajectory of the band. Currently the December future is at 68.23 down by 700 points from the week's high. The broad understanding remains on the bearish side for cotton amid the latest USDA report suggested crop numbers in the US would be more than 21.70+ million bales. However, since last two days market is completely lull and no other cues coming in from the market.

The trading volume was 21,771 contracts. Cleared yesterday were 39,602 contracts. It was a dull day in terms of trading and news. Also the USDA Weekly Export report was light all the way around, no surprise to the industry. Total sales for the week ended September 7th were 95,400 bales (upland 91,600/pima 3,800). Shipments were 112,200 bales (upland 108,500/pima 3,700).

Further on the market certified stocks began at 6,654 bales, down 352 in decerts. That is the lowest cert stocks have been since the 2015 calendar low of 6,441 bales. Dec first notice day is November 24th, Thanksgiving Friday, 10 weeks from tomorrow. Dec open interest began today at 142,796 contracts, down 1,603 contracts yesterday.

After the close the CFTC On-Call Cotton report for the week ended September 8th showed the second week in a row of record unfixed on-call sales; today's report at 131,053 contracts (13,105,300 bales), up 3,611 contracts (361,100 bales).

Total on-call purchases were 38,435 contracts (3,843,500 bales), down 879 contracts (87,900 bales). Dec prices for the reporting week ended September 8th were 7200 to 7575. That is the contract high so far. For comparison, total on-call one year ago were 73,062 contracts in sales and 23,308 contracts in purchases.

From the technical perspective the broad view remains weak and currently trading at 68.21. We expect the trading range for the day is 67.50 to 68.80 cents per pound while in the short term the band would be 66.15 to 70 cents.

Further on the domestic front cotton market steady. The October future moved steady and closed at Rs. 18430 up by Rs. 80 from previous close. The trading range for October would be Rs. 18530 to Rs. 18300 per bale. Further November future is expected to trade in the range of Rs. 17800 to Rs. 18200 per bale.

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

# NEWS CLIPPINGS

| | INTERNATIONAL NEWS |
|---|---|
| **No** | **Topics** |
| 1 | Chinese cotton market change after non-spinners excluded in auction |
| 2 | US cotton exports reach 10-year record high in 2016-17 |
| 3 | Vietnam’s Apparel Exports on Growth Track Despite TPP’s Demise |
| 4 | RCEP ministers agree on "key elements" to speed up talks on "mega trade pact" |
| 5 | Brandix retains position as top exporter in Sri Lanka |
| 6 | Italy’s fashion industry aims to incorporate more eco-friendly practices |
| 7 | Japan pushes for 'TPP 11' progress with Tokyo meeting |
| 8 | Pakistan: Cotton prices remain under correction |
| | **NATIONAL NEWS** |
| 1 | Indian exports rise for 12th straight month, grow 10.29% in August |
| 2 | GST: Textile industry expects rise in cost amid input credit refund delay |
| 3 | Garment exporters seek better ‘zero rating’ under GST |
| 4 | Benefits for textile exporters must continue, says SIMA |
| 5 | Krishnapatnam port adopts aggressive pricing |
| 6 | AEPC for fiscal support to boost textile exports |
| 7 | India's GDP growth likely to be 7.1% in 2017-18: Nomura |
| 8 | India’s forex reserves top $400 billion for the first time, shows RBI data |
| 9 | Experts: India needs to minimize contamination in cotton |
| 10 | Nepal trade: Services exporters’ GST woes will be solved soon, says CBEC chief |
| 11 | Aditya Birla Fashion brings British menswear brand Simon Carter to India |
| 12 | India’s biggest road transport tender gets Supreme Court’s green signal |

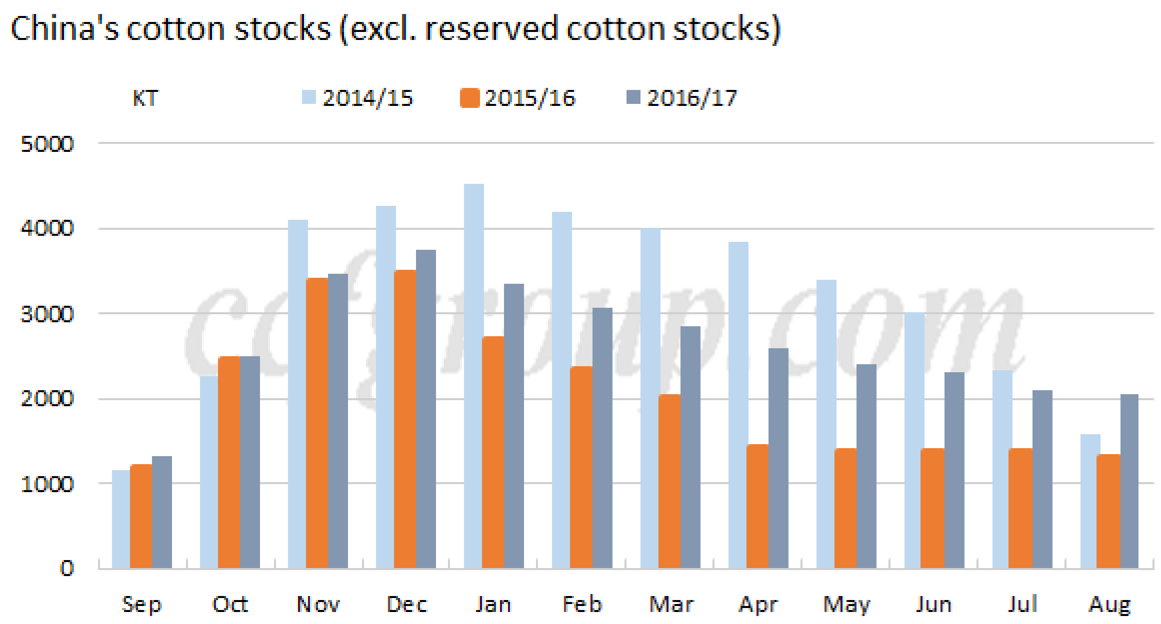
# INTERNATIONAL NEWS

## Chinese cotton market change after non-spinners excluded in auction

To meet cotton textile companies' demand for cotton and regulate the trading order of state cotton auction, the China National Cotton Exchange and China National Cotton Reserves Corporation announced on Sep 3 that only spinners were permitted to take part in the state cotton auction during Sep 4 and Sep 29. Then, Chinese cotton prices have been increasing and mills change the mindset to replenish reserved cotton stocks.

### 1. 2016/17 ending stocks in China

Chinese ending stocks (excluding state reserved cotton stocks) are estimated at about 2.05 million tons in 2016/17, up somewhat compared to 1.31 million tons in 2015/16 and 1.58 million tons in 2014/15.




In 2016/17 season, Chinese cotton output is forecast at 4.60 million tons and cotton imports are estimated at 1.09 million tons, according to CCFGroup. For the state cotton auction, one part is the auction during Sep, 2016, with the quantity of 620kt, and another part is the auction from Mar to Aug, 2017, with 2.66 million tons. Though the state cotton auction was confirmed to extend one month to end in Sep, 2017, many traders took part in the auction due to larger basis between spot cotton prices and cotton futures, leading to significant sales of reserved cotton in Aug. But re-sold reserved cotton sales were slow and commercial stocks climbed up largely in Aug. Cotton inventory in mills did not reduce due to the extension of state cotton auction.

| Remanant reserved cotton stocks (KT) | | | |
|---|---|---|---|
| carry-over stocks 2003-2010 | | | 1,026.70 |
| Crop year | cotton auction | cotton reserve | Cotton left |
| 2011 | - | 3,250 | 4,277 |
| 2012/13 | 3,710 | 6,670 | 7,240 |
| 2013/14 | 2,640 | 6,600 | 11,202 |
| 2015 | 60 | - | 11,139 |
| 2016 | 2,660 | - | 8,480 |
| 2017-8-31 | 2,660 | - | 5,820 |

By end Aug 31 2017, the reserved cotton left in the state warehouses is estimated at 5.82 million tons, according to CCFGroup, and the Chinese ending stocks are projected at 7.87 million tons in total.

## 2. Market status after non-spinners excluded in auction

According to the news released by the China National Cotton Exchange and China National Cotton Reserves Corporation on Sep 3, only spinners are permitted to participate in the current state reserves auction from Sep 4 to Sep 29. The move is designed to satisfy spinners' production needs and limit stockpiling by traders. After the news was released, trading activities in physical market improved obviously and cotton prices rose by 100-300yuan/mt. Moreover, Zhengzhou cotton futures market also increased. The reasons are as follows:

(1) The news is interpreted to be favorable to the market. Without traders, mills will have more available sources to purchase and choose suitable sources only, so some quantity of reserved cotton will not be purchased. So stocks are expected to reduce in long run and the anticipated lower supply stimulates the prices up.

(2) Small and medium-sized mills still purchase from traders. Not all spinners have the ability to take part in the auction, on concern about the

large capital support and the quality of reserved cotton. So some mills still choose to purchase from traders.
(3) With higher ZCE cotton futures, basis between spot cotton and cotton futures enlarged, and traders that do basis trading turned to purchase reserved cotton in physical market.

(4) ICE cotton futures market surged on concern about the Hurricanes, supportive to the domestic market.

### 3. Spinners' action after non-spinners excluded in auction

Mills did not slow down the tempo to purchase reserved cotton after traders are not permitted to take part in the auction. Trading sentiment of reserved cotton remained favorable. On one hand, 2017 seed cotton prices have increased recently and theoretical costs for new cotton are high.

By comparison, reserved cotton is with high cost performance. So mills with ample capital tend to increase the inventory till the intensive arrival of new cotton.

On the other hand, downstream printing and dyeing plants face restriction on capacity affected by strict environmental protection rectification and cotton yarn prices are hard to rise. The higher feedstock costs weigh on spinners.

### 4. Market outlook

From Sep 4 to Sep 7, the transaction rate was averaged at 86.7% and daily trading volumes of reserved cotton reached about 26kt. As spinners are not allowed to re-sell reserved cotton, the reserved cotton will be the cotton inventory in spinning mills.

For the late period till end Sep, based on the average transaction rate of 70% during Mar and Aug, the trading volumes of reserved cotton in 2017 may total 3.13 million tons.

If we calculate the transaction rate at 50% (extreme case), the total volumes will be 3.03 million tons. Then, 470-570kt of reserved cotton is supposed to be purchased by spinners.

| Remanant reserved cotton stocks (KT) | | | |
|---|---|---|---|
| Time | cotton auction | cotton reserve | Cotton left |
| 2017-8-31 | 2,660 | - | 5,820 |
| 2017-9-29 | 3,130(70%) | - | 5,350/5,450 |
| | 3,030(50%) | | |

In end Sep and mid-Oct, large quantity of new cotton will arrive on the market, and with the enormous stocks at traders' hand, mills are supposed to show low buying interests and Chinese cotton prices may decrease. Therefore, before end 2017, Chinese cotton prices are likely to rise first and then fall down.

Source: ccfgroup.com - Sep 14, 2017

HOME

*****************

## US cotton exports reach 10-year record high in 2016-17

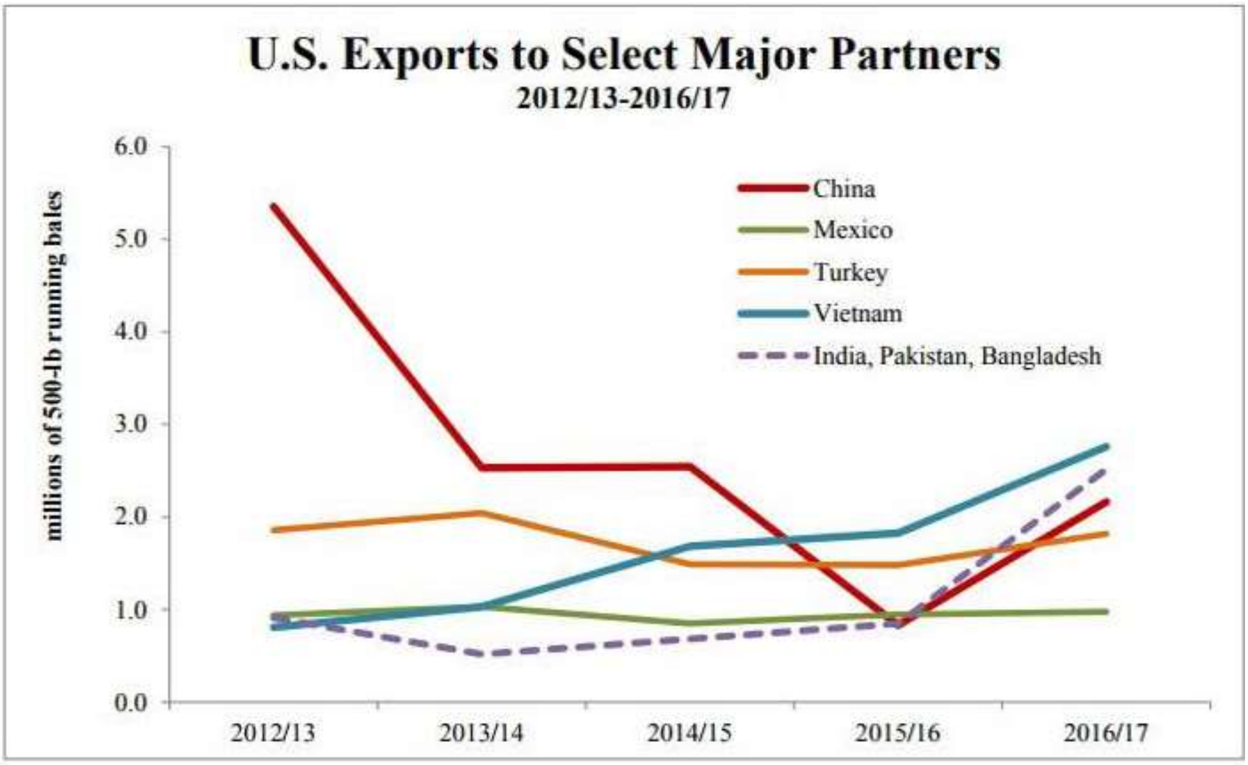
In the recently ended marketing year 2016-17, the United States exported 14.9 million bales of cotton, registering the highest quantity of exports since 2005-06, when the country exported 17.7 million bales. US cotton exports during the year were well above the levels initially forecast by either US department of agriculture (USDA) or private forecasters.

While upland cotton was the most exported totalling 14.3 million bales, the remaining 614,000 bales were of extra-long staple cotton, the Foreign Agricultural Service of the USDA said in its September 2017 report ‘Cotton: World Markets and Trade’.

“Both rising US crop estimates and rising global consumption helped account for this increase (in cotton exports”, the report said.

For the second year in a row, Vietnam was the largest importer of US cotton, and it imported nearly 2.8 million bales. As a result, the US market share in Vietnam rose to 50 per cent last year.

Exports to the Indian subcontinent also increased sharply, with India, Pakistan, and Bangladesh combined representing the second-largest US trading partner.




Two years of smaller crops in Pakistan, high domestic prices in India, and extremely rapid growth in mill demand in Bangladesh all helped drive these high shipments.

However, as production recovers in Pakistan and India, “it may be challenging for US exporters to maintain these levels of sales, although demand in Bangladesh is expected to continue to grow.”

China’s imports remained quota-constrained throughout the year and reserve sales introduced 14.3 million bales into private supplies. As the US market share in China recovers from the extremely low level seen in 2015-16, exports to China are expected to figure prominently in the upcoming year.

Exports to traditional US-led markets such as Turkey and Mexico did not show appreciable growth during the year.

Source: fibre2fashion.com- Sep 16, 2017

HOME

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# Vietnam's Apparel Exports on Growth Track Despite TPP's Demise

Vietnam's garment and textile exports are on track to hit $30.5 billion this year, according to estimates by the Vietnam Textile Association, or VITAS. In the first eight months of this year, exports in the sector increased 9.9% compared to the same period a year earlier to reach $19.8 billion, VITAS president Vu Duc Giang said at the Cotton Day celebrations in Ho Chi Minh City, according the media reports.

Vietnam imports 60 percent of its fiber, as cotton farms in Vietnam meet only 0.04% of the domestic textile sector's demand, the Vietnamese News Agency quoted Giang as saying at the event, organized by VITAS along with the U.S. Cotton Council International.

CCI's Cotton Day events have been held in various countries in Asia, including Japan, South Korea, China, Taiwan, Thailand and Bangladesh. This was the first time it was held in Vietnam.

The U.S. is Vietnam's leading market, accounting for 51 percent of market share. This is also the first year the CCI has supported Vietnamese brands using U.S. cotton.

Vietnam was expected to grow even more in importance as a sourcing destination if the Trans-Pacific Partnership had come to fruition. But President Trump derailed the proposed free trade agreement after entering office, saying it would hurt U.S. workers and industry. Though efforts have been made to revive the deal without the U.S., the latest news seems to indicate that Vietnam may no longer be interested in moving forward.

Vietnam's apparel shipments to the U.S. grew 6.2% to $6.5 billion for the year through July, gaining 1.1% market share to represent 14.5% of U.S. apparel import market share so far this year.

Speaking at last month's Sourcing at Magic show in Las Vegas, Sheng Lu, assistant professor for fashion and apparel studies at the University of Delaware, presented the results of a study he conducted with the U.S. Fashion Industry Association that showed Vietnam was the second most sourced country after China, with 88 percent of respondents saying they manufactured there.

Lu said the study showed that the most popular sourcing strategy right now is "China Plus Vietnam Plus Many," meaning that global manufacturing is becoming more diversified. The country was rated as the most competitive supplier and one of the most balanced, with a combination of price and speed to market capability, he noted.

At the Ho Chi Minh City event, CANIFA and John Henry brands' latest collections were shown, along with collections of the five contestants of the Cotton USA fashion design contest, according to reports.

William Bettendorf, CCI director general, said Vietnam was chosen as the host of Cotton Day due to the market's growth in recent years, adding that the country is the U.S. cotton sector's largest customer.

Source: sourcingjournalonline.com- Sep 15, 2017

HOME

*****************

## RCEP ministers agree on "key elements" to speed up talks on "mega trade pact"

The economic ministers of 16 Asia-Pacific countries have endorsed a set of "clear key elements" that will guide the negotiations to establish a Regional Comprehensive Economic Partnership (RCEP), Philippine Trade Secretary Ramon Lopez said on Monday.

"Essentially we have agreed a set of key elements that will lead to a substantial conclusion by the end of the year," Lopez told a news conference at the end of the 49th ASEAN (Association of Southeast Asian Nations) Economic Ministers Meeting.

The key elements "will be adopted by the negotiating committee as we draw up the details in the contents and provisions of RCEP," said Lopez, who chaired the ASEAN meetings.

For example, he said the elements have given "some indication on recalibrated, more realistic landing zones or objectives which was deemed important if we are really to move forward the discussion on RCEP."

"The more important thing is that whatever the landing zone will be (or) the objectives, it will have to be better than the current individual ASEAN Free Trade Areas (FTAs) or ASEAN Plus 1 FTAs. So, we emphasized on more realistic ambitions," he said.

Lopez said the elements include "more realistic ambitions when it comes to percentage products for inclusion, the phase-in or the timing of each inclusion, will it be in the next 10 years, 15 years."

"So, it's basically covering the timeframe as well," he said.

"The adopted key elements is a significant stride on RCEP talks, especially when we assess the evolution of how RCEP came about and eventually went beyond ASEAN and the FTAs. The key elements now put more direction and itemize substantial ways that will guide parties to reach substantial conclusion," Lopez said.

Through the key elements, he said, "we can ensure that commitment from each party would have a more concrete impact in the negotiation process, veering away from the plain talks on modalities."

The RCEP ministers met on Sunday to finalize the targets with respect to trade and goods, services and investment under a trade agreement among the 10 members of ASEAN - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam - and its dialogue partners China, Japan, India, South Korea, Australia and New Zealand.

"The ministers reaffirmed their commitment to further intensify efforts in a cooperative manner for the swift conclusion of the RCEP negotiations in line with the leaders's mandate," the RCEP ministers said in a joint statement issued at the end of the fifth RCEP ministerial meeting.

The ministers called on all the RCEP participating countries "to focus both efforts and resources to maximize progress towards significant outcomes."

To this end, the ministers welcomed the RCEP key elements for significant outcomes by the end of 2017 as agreed by the RCEP trade negotiating committee (TNC).

They stressed the urgent need to translate political commitments into action, "with wider mandates where necessary."

The ministers also agreed "to make utmost effort to achieve significant outcomes of the RCEP by end of 2017 to bring negotiations closer to its successful conclusion."

The ministers also appreciated the advancing of market access and rules negotiations and reiterated the object of the RCEP for a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement.

Lim hong Hin, deputy secretary general of ASEAN for ASEAN Economic community, said the RCEP negation is not easy.

"Given the fact that we all come from a different level of developments and also different hierarchies, different concerns and sensitivity, all this will have to be accommodated as we move forward if we come to a swift conclusion," he said.

The conclusion of RCEP will lead to the creation of the world's largest trade bloc, covering nearly one third of the global economy in 2016, and underscore the potential for the RCEP to serve as an engine for global growth.

RCEP will expand the ASEAN market from 600 million people to 3.5 billion.

RCEP ministers were meeting in Manila as part of the 49th ASEAN Economic Ministers Meeting that began last Thursday.

Launched in November 2012, RCEP targeted to cover trade-in goods and services, investments, economic and technical cooperation, intellectual property rights, competition policy, and dispute settlement, among others. It is seen as a good platform for the region to negotiate with other regional blocks.

Source: xinhuanet.com- Sep 14, 2017

HOME

*****************

# Brandix retains position as top exporter in Sri Lanka

Brandix has been named Sri Lanka's top exporter of the year. Besides the Sri Lankan Exporter of the Year award, Brandix received the award for highest employment provider in the export industry; highest net foreign exchange earner in the export industry; the sectoral award for highest foreign exchange earner in the apparel sector and the award for excellence in sustainable development.

Brandix leads a group of highly respected export brands in apparel, IT, tea, manufacturing, processedfoods, services and printing. The pioneer of the concept of total solutions in Sri Lanka's apparel sector, and a preferred supplier to top retail brands in the US and Europe, Brandix is also a benchmark and international award winner for eco-friendly manufacture and commitment to environmental best practice.

In India, Brandix has set up a textile park in Andhra Pradesh. The workforce comprises mostly women from rural areas, with a schooling ranging between seventh and tenth grades. They are trained to manufacture products for international brands and labels.

The park produces over two lakh pieces of intimate apparel a day. The unique, integrated apparel supply chain city is spread across 1,000 acres and brings alive an avant garde fiber to store concept.

It brings together world class apparel chain partners from the design table to consumer brands in flawless integration. This includes spinning, fabric manufacturing, apparel production, accessories, finishing to warehousing and logistics.

Source: fashionatingworld.com- Sep 14, 2017

**HOME**

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# Italy's fashion industry aims to incorporate more eco-friendly practices

Italy has a plan to make the fashion retail business sustainable from end to end. The aim is to highlight the urgent need for sustainability in the fashion retail ecosystem and give in-depth pointers on what materials are exceptionally harmful and what alternatives companies can make use of in their place.

The plan categorises sustainability under eight heads to make things easier to understand: Territorial, Social, Environmental, Anthropological, Technological, Energetic, Administrative and Economic Sustainability.

The idea is to embed sustainability in the fashion culture and give everyone a way to measure where they stand as well. The industry has been involved in this endeavor.

A host of big fashion names have been brought in, namely, Ermenegildo Zegna, Giorgio Armani, Gucci, Prada, Salvatore Ferragamo, Versace, etc. The agenda focuses solely on retail, making note of everything from lighting, shelf placement and interior design of the space to even things like how much time a customer spends in stores.

A general manifesto on sustainability in Italian fashion was released around five years ago. Plans are to continue adding to this list with a sustainable approach to production, social responsibility as well a strategy to recycling economy.

Source: fashionatingworld.com- Sep 15, 2017

HOME

*****************

## Japan pushes for 'TPP 11' progress with Tokyo meeting

Chief negotiators from the Trans-Pacific Partnership's remaining participants will meet in Tokyo starting Thursday, looking to proceed on the trade deal despite the U.S. decision to abandon the accord.

The 11 remaining nations have decided to suspend some of the rules in the TPP that were championed by the U.S., on the assumption that the country will return to the fold in the future. The Tokyo meeting, announced Friday by Japan's government, likely will focus on debating which items should make that list.

"We hope the meeting will serve as a big step toward achieving good results at the Asia-Pacific Economic Cooperation summit in November," Toshimitsu Motegi, Japanese minister in charge of economic revitalization, told reporters after a cabinet meeting Friday.

Japan proposed the gathering, which comes just three weeks after the previous one in Australia. Tokyo sees the need to accelerate efforts to identify the clauses to be mothballed.

During the "TPP 11" discussions in Australia late last month, participants proposed in writing or verbally about 50 items they want relegated to the back burner. But they could agree on suspending only two: an extended protection period for data on biomedicines and a longer patent protection period.

Other proposed suspensions require further discussion, including clauses covering state-owned enterprises and periodic renegotiation of the TPP itself. More items may still be proposed.

The Tokyo meeting would be considered a success if all 11 participants submit their proposals and agree on concrete items to be frozen. Clearing this hurdle would let negotiators focus on tough issues at a meeting expected in October, such as a review of the rules for the removal of tariffs on apparel products.

But Vietnam, which positions the TPP 11 talks as a renegotiation of the trade deal, has yet to complete a process necessary to give its government the authority to negotiate.

For this reason, Japan wants next week's meeting to produce at least an overall picture of what rules likely will be put on ice. Tokyo ultimately hopes to strike a broad agreement on the pact in November.

TPP proponents fear negotiations may be stifled by an inability among participants to reach a consensus. New Zealand's general election Sept. 23 also elicits concern as support grows for the opposition Labour Party, which has hinted at leaving the TPP. Talks also may become more complicated if thorny issues such as tariffs and quotas on farm product imports are brought to the negotiation table.

Source: asia.nikkei.com- Sep 16, 2017

HOME

*****************

## Pakistan: Cotton prices remain under correction

Cotton prices remained on technical correction on output reports on Friday. During trading session at lint market prices remained favourable for buyers. Around 1,800 cotton bales changed hands in a range between Rs 6,000 per maund to Rs 6,575 per maund in parts of Sindh and Punjab stations.
Ex-gin price per maund remained at Rs 5,950. In Kerb market better grades were traded in the range of Rs 6,650 per maund to Rs 6,675 per maund. New York Cotton October Futures 2017 contract closed at 70 cents per pound, December Futures 2017 contract at 70.20 cents per pound and Cotlook A Index closed at 84 cents per pound.

Source: dailytimes.com.pk- Sep 16, 2017

HOME

*****************

# NATIONAL NEWS

## Indian exports rise for 12th straight month, grow 10.29% in August

India's exports grew to $23.81 billion in August this year, from $22.5 billion in July and $21.59 billion during the corresponding month of last year, official data showed on Friday.

According to the Ministry of Commerce and Industry, exports during August on year-on-year (YoY) basis exhibited a growth of 10.29 per cent to $23.81 billion from $21.59 billion reported for the corresponding month of last year.

"In continuation with the positive growth exhibited by exports for the last twelve months, exports during August, 2017 have shown growth of 10.29 per cent in dollar terms valued at $23,818.83 million as compared to $21,597.09 million during August, 2016," the ministry said in a statement.

"During August, 2017, major commodity groups of export showing positive growth over the corresponding month of last year are engineering goods (19.53 per cent), petroleum products (36.56 per cent), organic and inorganic chemicals (32.41 per cent), drugs and pharmaceuticals (4.21 per cent), and RMG of all textiles (0.56 per cent)." However, the country's imports during the month under review also increased by 21.02 per cent to $35.46 billion from $29.30 billion.

"Major commodity group of imports showing high growth in August, 2017 over the corresponding month of last year are petroleum, crude and products (14.22), electronic goods (27.44), machinery, electrical and non-electrical (18.35), gold (68.90) and pearls, precious and semi-precious stones (30.88)," the statement said. Segment-wise, the data showed that India's oil imports during August increased by 14.22 per cent to $7.75 billion, from $6.78 billion in the same month last year.

"The global Brent prices ($/bbl) have increased by 11.34 per cent in August, 2017 vis-à-vis August, 2016 as per World Bank commodity price data," the statement added.The non-oil imports during August, 2017 were estimated at $27.70 billion which was 23.07 per cent higher from $22.51 billion shipped in during the corresponding month of 2016.

Source: financialexpress.com- Sept 15, 2017

HOME

*****************

# GST: Textile industry expects rise in cost amid input credit refund delay

Continuing to press its demands for relief under the Goods and Services Tax (GST) regime, the textile industry has now sought refund of the accumulated input tax credit at the fabric stage, citing cost escalation of the value chain.

Industry representatives have stated that delay in refund of accumulated input tax credit could lead to increased import of fabrics, resulting in job losses in the highly vulnerable sectors like powerloom, handloom, and processing.

The textile industry fears costs could escalate by anywhere between three per cent and five per cent which could further impact capacity utilisation. According to the newly elected chairman of the Southern India Mills' Association (SIMA) and managing director of KPR Group, P Nataraj, this percentage share in cost escalation is proportionate to the range of accumulation of input tax credit on the sales value, especially for sectors like powerloom, handloom and processing.

In its recent representation, SIMA cautioned that there were few major problems and ill-effects due to certain GST anomalies that need to be addressed on a war footing to bring all the stakeholders of the textile industry under GST net and enable the products to remain globally competitive.

"The Indian textiles and clothing industry had been passing through continuous recession during the last three years mainly due to poor off-take in the global market, the FTA/PTA competitive advantage gained by the competing nations like Vietnam, Bangladesh, high tariff rates imposed on Indian textiles and clothing products in the major textile makers such as EU, US, Canada, and China. The total textiles and clothing exports had stagnated at around US$ 40 billion during the last three years," Nataraj pointed out.

SIMA and other textile bodies have appealed to the centre to refund the accumulated input tax credit at fabric stage that had been singled out to avoid cost escalation. As per the industry, apart from avoiding cost escalation, a timely refund could also avert high imports of fabrics and fall in capacity utilisation which could result in job losses. For instance, the weaving industry in Surat which houses 650,000 such powerlooms, saw over 40 per cent shut since a month, thereby incurring a loss of over Rs 1,200 crore so far.

As per SIMA, the dyes and chemicals account for over 30 per cent of the processing charge that attract 18 per cent GST, while the fabric or job work is levied with 5 per cent GST.

Ashish Gujarati, president of Pandesara Weavers' Association, which alone has 200,000 powerlooms, told Business Standard that the only difference has been a slight reduction in accumulated input tax credit from Rs 1.25 per metre to 80 paise per metre under a five per cent GST on twisting job work.

The industry is now continuing to press for reduction of GST rate on man-made fibre (MMF) spun yarn, including sewing thread filament yarns from 18 per cent to 12 per cent.

The powerloom sector and independent weaving units that produce over 95 per cent of the woven fabric is burdened with 18 per cent GST on yarn, while the vertically integrated units do not have such a problem as they need to pay 18 per cent GST for fibres and only 5 per cent GST on fabrics and the cost difference works out to 5 to 7 per cent.

The industry has appealed to the GST Council to sort out both the anomalies of refunding the accumulated ITC at any stage of manufacturing, especially processed fabrics and also reduce the GST on MMF spun yarn, including filament sewing threads from 18 per cent to 12 per cent.

Source: business-standard.com- Sept 15, 2017

HOME

*****************

## Garment exporters seek better 'zero rating' under GST

Representatives of apparel exports met commerce minister Suresh Prabhu and sought certain changes in the tax reimbursement scheme under the current Goods and Services Tax regime.

Apparel exporters are eligible for reimbursement of various state and central taxes under two schemes meant to promote exports: Rebate of State Levies (ROSL) and Drawback (DBK).

However, they said, the reimbursement schemes, as they stand, are not effective as effective as before because of the system of 'input credits' under the GST. In other words, part of the tax paid by a manufacturer is at the time of purchasing the raw material, and not at the time of selling the finished product as was the case before.

Ashok G Rajani, Chairman Apparel Export Promotion Council, said such 'zero rating' of taxes on items meant for export — via reimbursing for taxes paid by manufacturers — is standard practice across the world, and Indian apparel manufacturers will find it difficult to compete with those from other countries if it is not continued under GST.

Direct subsidy to exporters are not allowed under World Trade Organization's rules, but reimbursements for 'zero rating' are allowed.

Rajani said embedded taxes should also be refunded. These include GST, customs duties and excise charges on diesel consumed by the industry; taxes on electricity, stamp duties and registration charges, motor vehicle taxes, mandi taxes, green taxes, property taxes and so on.

"Zero-rating of exports as prescribed in the GST law will not be complete and will be limited to refunding of input taxes as there are a number of GST taxes, which are invisible and embedded in the FOB value of exports, given the design of the Indian GST.

"Therefore, it is important that the refund of the blocked GST taxes should not be seen as an incentive, but as an enabler of trade neutrality. The minister has assured us every best possible support for the smooth growth of industry and we are hopeful that he will look into the concerns raised by the Industry."

India is among the top five exporters of garments in the world, after China and Bangladesh. The industry, concentrated in Tamil Nadu and Karnataka, employs tens of thousands of women, often in backward and rural areas.

It is considered the most effective way to create employment for a given investment.

The industry representatives also expressed worry about the strong rupee, which has made their products costlier in foreign countries.

Source: ultra.news- Sept 15, 2017

HOME

*****************

## Benefits for textile exporters must continue, says SIMA

*Revenues may shrink if duty drawbacks rates are reduced*

With uncertainties related to the duty drawback scheme continuing, textile exporters are delaying finalising orders, said P. Nataraj, chairman of Southern India Mills' Association.

"The government has not yet given the mandate to the Duty Drawback Committee to recommend the revised duty drawback rates and ROSL (Rebate of State Levies). The Government had extended the benefits only up to September 30. As there is uncertainty in the rates of benefits, export booking is getting delayed," he said.

**'Advantage competitors'**

Textile exporters need 60-75 days to ship the goods from the time they confirm the orders. If there was a delay in finalising orders, they would be unable to ship on time.

Countries such as Bangladesh and Vietnam have trade agreements with the EU and the U.S. and have close to a 10% cost advantage over Indian garment exporters because of nil import duty.

India can be competitive only if duty drawback and export benefits are continued. Textile exporters might not register growth if the duty drawback rates are reduced, he said.

The industry had given its suggestions to the Government on the rates. “We expect that the benefits given to exporters now are continued without reduction,” he said.

The Union Government should extend the export benefits till business revived and ensure that the pre-GST export competitiveness of the industry was sustained, he said. The Government should also expedite clearing all the pending export benefits, Mr. Nataraj added.

Source: thehindu.com - Sep 15, 2017

HOME

*****************

## Krishnapatnam port adopts aggressive pricing

Aggressive marketing is helping the container terminal at the privately built port of Krishnapatnam in Andhra's Nellore district to become a bright spot on the east coast.

Amid the region's low capacity utilisation, the Navayuga Engineering-operated terminal raised its market share to seven per cent in FY17 from four per cent in FY16.

"Cargo in Andhra-Telangana and north and east Karnataka which is currently going to other ports (like Chennai) have an instant cost advantage on distance if they switch to Krishnapatnam. So, the first leg of our marketing strategy is to bring this to the notice of cargo owners of this region," Vinita Venkatesh, director at the port's container terminal, told Business Standard.

Chennai is among the largest and busiest ports on the east coast for container cargo. During FY15-17, the throughput of container ports on the east coast has moved in a narrow range of 3.1-3.9 million TEU, with utilisation at 42-48 per cent. Krishnapatnam saw port utilisation of 21 per cent in FY17 and is expected to see 45-50 per cent this year.

"We are aiming to hit 500,000 TEU this year from 255,436 TEU last year, a doubling of cargo," said Anil Yendluri, director and chief executive officer.

The CVR Group-promoted company is also offering a price which is a sizable discount to others in the region, the second leg of its marketing strategy. "Our pricing is cost-based, not market-based. Since we have our own infrastructure from warehousing, transportation and customs licences, our price model is connected to the cost we incur, not demand and supply.

The idea is to offer a price point which is commercially and economically rational for cargo owners to consider us," Venkatesh explained, without divulging discount details. "Our price offerings are helping customers bring down their total logistics cost by 30 per cent."

It is also looking at drawing in large shipping lines, which typically prefer large city-connected ports. And, looking for new types of cargo — it has brought in cement, cotton yarn and shrimp.

"With the kind of cost-based pricing Krishnapatnam is providing, its profitability could be lower but sustainability would be higher, despite the heavy discounts it is offering as compared to its competitors," said Subrata Behera, manager of port & container research at Drewry Shipping Consultants.

Chennai, being a major port, has its pricing based on the Tariff Authority for Major Ports (TAMP) regulations, and does not enjoy the flexibility a private port does, said industry experts.

"Even if Chennai offered a cost-based pricing structure, its price point would have still been higher than Krishnapatnam, given the royalty component that gets added to Chennai's cost, apart from other items," said an expert, on condition of anonymity.

With more private port container capacity coming up on the east coast, it is perhaps time that government-owned ports become vocal about the need for more pricing power.

Source: business-standard.com - Sep 15, 2017

HOME

*****************

# AEPC for fiscal support to boost textile exports

The Apparel Export Promotion Council (AEPC) has called on the government to extend fiscal support to the sector to boost exports.

A delegation of AEPC, led by its Vice Chairman H K L Magu, met Commerce and Industry Minister Suresh Prabhu on the issue.

The council apprised the minister about the major constraints being faced by apparel exporters, AEPC said in a statement today.

"The issue of non-reimbursement of embedded taxes under rebate of state levies, drawback scheme is making the apparel industry non-competitive.

The council informed the minister about the impact of overvalued rupee on export growth," it said.

It added that depreciation in the value of currencies of neighbouring countries like China, Bangladesh and Vietnam during the last six months have eroded the cost competitiveness of Indian apparel industry.

"A strong rupee has significantly diluted the impact of the package of Rs 6,000 crore for apparel industry and in order to encourage exports, it is necessary that rupee is depreciated in a calibrated manner to a level where India's exports become competitive in the global market," it said.

It has also raised the issue of timely refund of blocked GST.

Source: business-standard.com - Sep 14, 2017

HOME

*****************

## India's GDP growth likely to be 7.1% in 2017-18: Nomura

Following a likely rise in industrial production in near future, India's GDP growth is projected to be around 7.1 per cent this fiscal, says a recent report by Japanese financial services major Nomura. The rise is anticipated as firms resort to 'restocking' after implementation of goods and services tax (GST), especially ahead of the festive season, it says.

Nomura expects a GDP growth of 7.1 per cent year-on-year and gross value added (GVA) growth of 6.7 per cent in fiscal 2017-18.

Businesses went on a destocking spree before GST, primarily because of a steep fall in demand from consumers, who delayed buying. Economic recovery will likely continue to be led by consumption, according to a news agency that quoted the Nomura report.

The report foresees a positive impact of the ongoing remonetisation initiative on the cash-intensive services sectors, which will help raise growth numbers.

India's index of industrial production (IIP) during July slipped to 1.2 per cent because of a poor show by the manufacturing sector, while retail inflation rose to a 5-month high of 3.36 per cent in August due to a rise vegetable and fruit prices, according to Central Statistics Office (CSO) data.

The data suggest that the industrial growth recovery is still uneven with weak investment demand, but also currently depressed due to GST effects, the Nomura report said commenting on the CSO statistics. While demand-side price pressures remain contained, supply side and statistical factors, such as GST and food prices are driving inflation higher, it added.

Source: fibre2fashion.com- Sep 15, 2017

HOME

*****************

# India's forex reserves top $400 billion for the first time, shows RBI data

India's foreign-exchange reserves rose past $400 billion for the first time ever, strengthening policy makers' buffers ahead of an expected reduction in US stimulus.

The stockpile stood at $400.7 billion 8 September, the Reserve Bank of India (RBI) said in a release on Friday. With the Federal Reserve set to shrink its balance sheet—details of which could be announced next week—the holdings may help the rupee withstand any volatility even if global funds turn away from India's slowing economy.

"We expect portfolio inflows to slow in the coming months," said Radhika Rao, an economist at DBS Bank Ltd in Singapore. She predicts India's current account deficit will double to 1.4% of gross domestic product (GDP) in the year through March 2018.

That's still far lower than the unprecedented 4.8% of GDP touched in 2013, when the Fed had first signalled intent to curb its massive bond-buying program. Those "taper tantrums" triggered a sharp slide in the rupee and reserves depleted to around $275 billion as the central bank struggled to buoy the currency.

India's holdings are about $376 billion now if stripped of gold, enough to pay for about a year of imports. The pace of reserve accretion has been one of the strongest within Asia in the past 12 months, according to analysts at Morgan Stanley, creating a challenge for the central bank, which has been intervening and mopping up the inflows.

The RBI last month cut interest rates to the lowest in seven years to boost flagging growth. At the same time, it has been absorbing surplus funds in the banking system to keep price pressures under control. Inflation has been rising sharply from record lows, and the central bank wants it to stay near the 4% mid-point of its target range.

The rise in foreign exchange reserves comes as yield-hungry global investors take advantage of high real rates of interest and a rupee that has gained more than 6% this year against the dollar. That may change in the months ahead as accelerating inflation in India erodes returns.

Foreign holdings of rupee debt have risen by just 20.9 billion rupees ($326 million) so far in September and August's 126-billion rupee inflow was the smallest in six months, as investors have used up almost all of their eligible quotas to buy Indian bonds. In the freer equity market, overseas investors have withdrawn $810 million this month, extending last month's $1.7 billion outflow.

Source: livemint.com- Sep 15, 2017

HOME

*****************

## Experts: India needs to minimize contamination in cotton

India faces a huge problem of contamination in cotton which affects the overall cotton quality in the market. This is mainly because of the faulty collection system and the large number of farmers and households involved in the process. Thus a good collection system with mechanical picking can bring uniform quality of bales. The country needs to develop a strategy for not just increasing the productivity but also the quality of cotton.

These issues were raised here at the inaugural session of the three day seventh Asian Cotton Research and Development Network (ASRDN) meeting organized jointly by the Indian Society for Cotton Improvement (ISCI), Mumbai in collaboration with the International Cotton Advisory Committee (ICAC), Washington, Central Institute for Cotton Research (CICR) and the central Institute for Research on Cotton Technology (CIRCOT).

Terry Townsend, former executive director of ICAC said that technology was the key to improve the quality of the material. He stressed on the need to make cotton a more competitive product. He said that natural fibres should be given importance over polyester. In India the consumption of cotton versus polyester was 60:40% while world over it was 25% cotton and 75% polyester.

Keshav Kranthi, head technical information section ICAC and former CICR director explained the genesis of the meeting and how it will strive to prepare a road map for doubling farmers' income and improve fibre quality. He urged cotton researchers to develop 'Brand India' by developing desi good quality native arboretum cotton.

Suresh Kotak, chairman Kotak Commodities enumerated how cotton has impacted civilization and contributed to prosperity of nations. Agriculture scientist C D Mayee informed that after the recent hurricane the cotton in US was destroyed and the country is striving to buy cotton from India which will benefit Indian farmers. However, quality of cotton and contaminants are major concerns which demand the attention of researchers. Deputy Director General (DDG) of Crop Sciences Indian Council of Agricultural Research (ICAR) A K Singh explained that there is a need to bring innovations in water and chemical usage to transform Indian agriculture.

Speakers pointed out that cotton growing nations of Asia are facing several challenges such as predominance of small holder production systems, low level of mechanization, vulnerability to climate change/variability, rising production costs cutting profit margins, key pests developing resistance to major insecticides, soil degradation, dwindling agro-biodiversity, restricted access to novel technologies due to IPR related issues, poor fibre quality, lack of appropriate ginning technology to name a few. Speakers said that quality of cotton was not as bad as it is being projected internationally.

Source: timesofindia.com- Sep 16, 2017

HOME

*****************

## Nepal trade: Services exporters' GST woes will be solved soon, says CBEC chief

The Central Board of Excise & Customs (CBEC) on Friday sent out a ray of hope for service providers who may have lost a market in Nepal owing to the imposition of 18 per cent goods and services tax (GST) from July 1.

Given that the trade with Nepal is 'rupee-based', many services exporters are crying foul that their business has been killed, thanks to the 18 per cent GST.

As the transactions with Nepal have to be 'rupee-based', they cannot claim GST exemptions which is available only in cases where exports are undertaken in foreign currency, they said.

Responding to this concern of industry, Sanjiv Srivastava, Commissioner, CBEC, said at a Confederation of Indian Industry (CII) event that the GST Council is seized of this matter and a resolution would be available within a month's time from now.

"Be rest assured that this issue will not stay live for over a month from now," said Srivastava.

Meanwhile, Srivastava also maintained that the GST laws enacted by the Centre and the States are not as complex they as made out to be.

Bipin Sapra, Partner-Indirect Taxes, EY, said that transition to GST has increased costs for corporates and that GSTN is yet to shape up to its full potential.

At the same time, he noted that the government needed to be commended for the efforts taken to usher in such a big tax reform.

Source: thehindubusinessline.com- Sep 16, 2017

**HOME**

*****************

## Aditya Birla Fashion brings British menswear brand Simon Carter to India

A year after signing an exclusive licensing agreement with British designer menswear brand Simon Carter, the apparel and retail company Aditya Birla Fashion and Retail Ltd (ABFRL) is opening the first of the eponymous stores in India.

After setting up a debut standalone store in Chennai's Express Avenue mall, the second is a 1,200-sq-ft exclusive store in Mumbai's Phoenix Market City.

The first set of 10 stores will open in Bengaluru, Chennai, Mumbai, Delhi, Hyderabad, Pune and Chandigarh over the next few months, Vishak Kumar, CEO, Madura Fashion and Lifestyle, an arm of ABFRL, told *BusinessLine*.

Simon Carter's quirky approach to clothes and accessories — shirts patterned with beetles and butterflies or an Indian wedding band-themed pocket square — is intended to "unleash the inner dandy in men", said Simon Carter, the London-based fashion designer and creator of the brand. "We see large untapped demand for our signature conversation pieces, in fabrics that are light and suitable locally. I think Indians freely understand colour, texture and pattern — we think it's a huge opportunity."

Simon Carter's complete range comprises classic suits, jackets, shirts, blazers and accessories, including cufflinks, bracelets, shoes and watches.

The collection is priced between ₹3,000 and ₹14,000.

"Simon Carter is a step into luxury," Carter said. "It's a treat if you buy a shirt from us, but it won't break the bank."

ABFRL will invest about ₹15-20 crore in the first year for building the brand locally for setting up stores, mostly in malls and high streets.

"We see this as being a ₹ 250-300 crore brand in three years," Kumar said. The India collection will partly be sourced from the UK, while the rest of the merchandise will be created at ABFRL's Benguluru factory. Online, the brand is already available for sale on Myntra and on www.simoncarter.in.

ABFRL, part of the Aditya Birla conglomerate, has a network of 8,000 points of sale in over 700 cities and towns, and includes more than 2,000 exclusive ABFRL brand outlets.

Source: thehindubusinessline.com- Sep 16, 2017

HOME

*****************

# India's biggest road transport tender gets Supreme Court's green signal

The Supreme Court on Friday allowed Jawaharlal Nehru Port Trust (JNPT) to proceed with India's biggest road transport tender yet to evacuate import containers from the four terminals of India's busiest container port to five locations and their nodes.

The tender is part of a plan to speed up imports through the direct port delivery (DPD) programme to cut transaction cost and time.

The tender — a first of its kind in India — involves selecting as much as seven big road transporters who will deploy some 2665 tractor-trailers (TTs) — both owned and aggregated — manufactured after April 1, 2009, for evacuating 580,747 twenty-foot equivalent units (TEUs) landing at the port to locations in Gujarat, Ahmednagar, Nashik, Aurangabad, Nagpur, Indore and Hyderabad, Goa, Bangalore and local region near Mumbai over distances ranging from 40 km to 1,100 km.

The apex court did not stay the tender while hearing an appeal brought by Maharashtra Heavy Vehicle and Inter State Container Operators Association (MHVICOA) after losing the case in the Mumbai high court in August, a JNPT official said. Neither did the court say that the finalisation of the tender will be subject to the outcome of the petition, he added.

The government has directed JNPT to raise the proportion of DPD volumes to 40 per cent.

The Customs have identified and permitted 778 major importers to avail themselves of DPD. "As the volumes of DPD and number of clients increases, the terminals will face the challenge of yard efficiency and congestion on the port roads. The DPD also brings in the challenge of reliable delivery to multitudes of importers," says JNPT.

Currently, the terminals are stacking containers CFS/ICD wise and containers are allocated to trucks on "best-pick" basis. The port caters to 36 lakh road containers in its yard.

When the DPD volumes rise, the port will need to create additional stacks equivalent to the number of DPD clients in order to continue on the "best-pick" mode. This is not possible due to the high number of DPD clients and limitation of the yard area, equipment and manpower capacity.

"Trade and market forces have failed in offering any new solution to provide efficient transport solution for DPD. To cater to 40 per cent DPD volumes, there was a need to work out an 'Out of the Box' solution," JPNT said. The model was worked out considering the twin requirements of keeping the number of stacks to the minimum and to keep the number of shifting to the minimum.

According to the transport solution proposed by JNPT, all DPD containers will be distributed route-wise into the identified routes. Port terminal operators will arrange DPD import boxes route-wise in separate stacking area. A transporter will be selected for each location through a bidding process in which he is required to quote a lump sum rate that includes all costs for transporting containers from the port yard to the premises of the importer as well as movement of empty containers to the empty container yard.

The selected transporter has to clear the import containers from the port within 48 hours and deliver them at the factory/premises of the importer/location as designated by the importer, failing which the container will be transferred to the CFS designated by JNPT.

JNPT will not enter into any direct commercial arrangement with the transporter. It will be mandatory for importers to hire the selected transporters for taking the DPD import delivery by entering into a commercial arrangement with them.

The successful transporter shall have the exclusive right to clear the DPD containers from the port for the corresponding route for which it is selected. Importers will not be allowed to use their own fleet.

The transporters association contended that the plan was not within the purview or jurisdiction of JNPT. "JNPT cannot appoint only 5-7 transporters and compel importers to take the services only from them. It is not the concern of JNPT," said P Paithankar, President of MHVICOA.

Source: thehindubusinessline.com- Sep 16, 2017

HOME

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