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TEXPROCIL NEWS CLIPPINGS

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INTERNATIONAL NEWS

China's factory output shrinks first time in three decades; India gets window to push supply

Coronavirus has brought China's industrial production to a standstill, giving India a window to push its supplies to fill the gap. China's industrial production unexpectedly contracted by 13.5 per cent in the first two months of 2020.

In February alone, industrial output dropped by 26.63 per cent from January, according to data published by the National Bureau of Statistics. This is the first time in the last three decades when the industrial production of China has shrunk. The contraction in the factory output is observed at a time when the street estimated expansion of 1.5 per cent.

Due to the Covid-19 pandemic, most of the countries are facing business disruption and travel restrictions. This has severely affected businesses worldwide and since the virus originated in China, the highest impact is also felt by the same country.

The production in China fell for all categories including manufacturing by -15.7 per cent; utilities by -7.1 per cent; and mining by -6.5 per cent. Industry-wise, the output dropped for most categories including automotive, general equipment manufacturing, railway, textile, metals, etc.

Meanwhile, even when the coronavirus outbreak was not in the picture, China was going through a rough time due to the US-China trade war. Now, when the entire country is locked down and trade is severely hindered, experts believe that India has an opportunity to push its industrial production and hence the exports.

"There is an opportunity for India to present itself as a serious alternative to China as an investment destination. This would, however, require embarking on structural reforms to present India as an attractive investment destination," according to the March 2020 report by Brickwork Ratings.

Source: financialexpress.com-Mar 16, 2020

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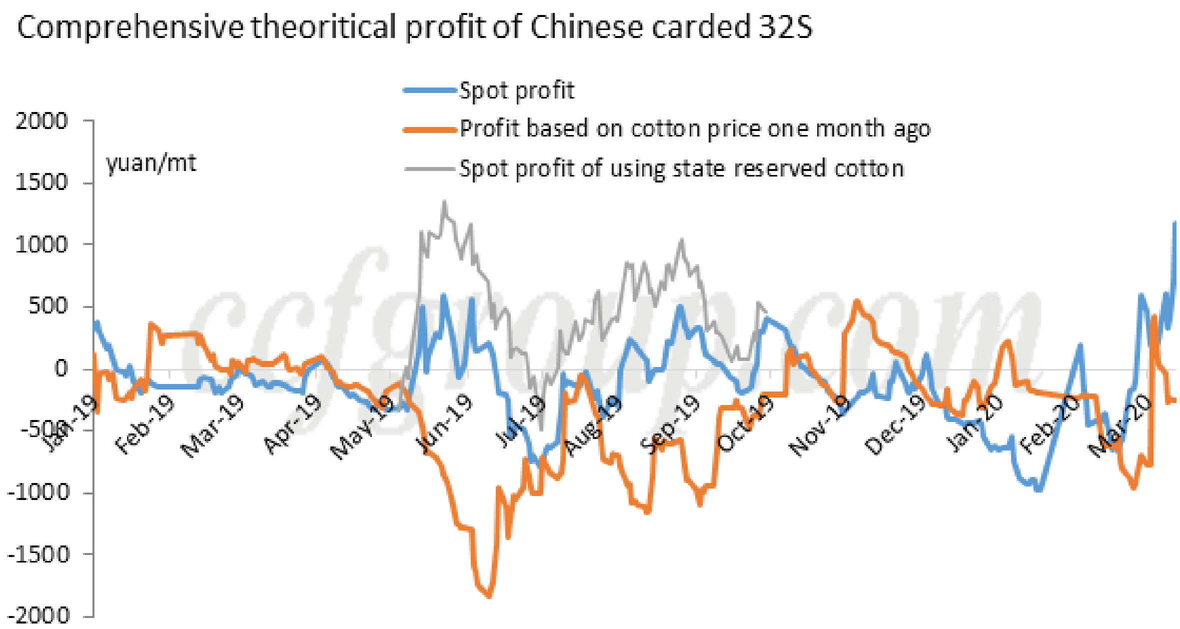
Cotton yarn decline being around the corner

ZCE cotton futures plummeted and hit new low again and again amid the spread of pandemic in the world and slump of crude oil last week. By last Friday, May contracts decreased to 11,690yuan/mt at the lowest, and spot cotton price declined accordingly.

With the slide of raw materials and concerns about later demand upon the pandemic, transactions of cotton yarn weakened and downstream procurement reduced obviously. However, cotton yarn price has not moved down much despite lower cost and poor expectation to downstream demand, as the inventory was low and some varieties were short of supply. But this situation will hardly sustain and the decrease of cotton yarn price is around the corner.

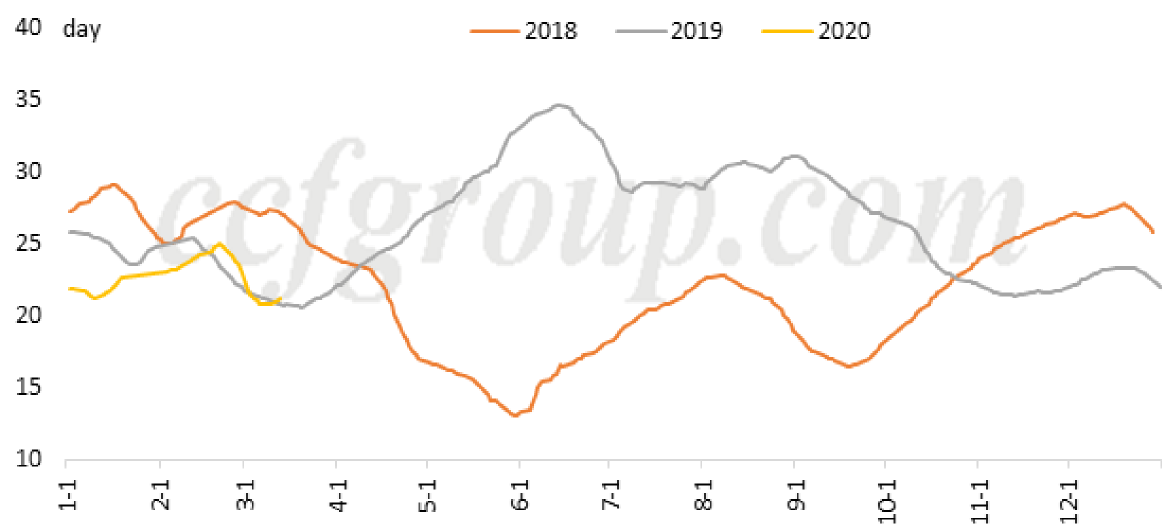
At first, cotton price has decreased about 1,800yuan/mt compared with that in early this year, while cotton yarn price remained stable or even inched up. Currently the spot profit of cotton yarn mills reached 1,000yuan/mt or above. Even if considering the high-priced cotton bought before Spring Festival holiday, their average profit could reach about 500yuan/mt. Upon the weak market, the profit is likely to be compressed.



Secondly, cotton yarn inventory has started to increase. With the slack trading on the market, cotton yarn inventory has increased and the accumulation may accelerate later. In addition, the stocks of imported cotton yarn stayed high since Spring Festival holiday. By Mar 13, the stocks of imported cotton yarn were at about 213kt, compared with 84kt before

Spring Festival holiday and 80kt in the same period last year. The over high stocks also weighed heavily on domestic cotton yarn.

Cotton yarn inventory in cotton yarn mills



At last, downstream demand. Since downstream weavers resumed work, they were mainly processing pre-holiday orders, and received scarce new orders. At present, their orders only can be scheduled to end-Mar.

Besides, the epidemic developed fast outside China and it may not finish until Jun at the earliest by academician Zhong Nanshan, which will seriously hit textile and apparel market which takes up largely in export and reduce export orders sharply. As a result, the peak season originally seen in the first half year will hardly appear in 2020.

In conclusion, cotton yarn price stayed strong at present due to low inventory, but with sharp decrease of cotton price, increase of supply as more cotton yarn mills resumed work, a large amount of imported cotton yarn stocks, poor downstream demand, and reduced export orders affected by international pandemic, the market supply will turn excessive from tight, and then cotton yarn inventory will accumulate gradually. As a consequence, cotton yarn price will tick down, and the decrease may be large and come soon.

Source: ccfgroup.com-Mar 16, 2020

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Taiwan's textile and apparel exports decline by 9 per cent

Taiwan Textile Federation, Taiwan's textiles and apparel exports declined 9.0 per cent in 2019 compared to the previous year to reach $9.1 billion. It was the first decrease in exports in three years since 2016.

As a result of US-China trade friction and political turmoil in Hong Kong, exports sharply decreased to Mainland China and Hong Kong. The fact that Taiwanese companies in the upstream and middle-stream sectors have relocated their production to Vietnam and Indonesia is also a factor for the decrease.

Exports of fabrics decreased 6.0 per cent to $6.2 billion, while those of spun yarns decreased by 14.0 per cent to $1.4 billion. Textile fibers exports declined 25.0 per cent to $640 million.

In regard to the top five destinations, exports to Vietnam decreased by 2.0 per cent to $2.2 billion. Fabrics exports to the country decreased 1.0 per cent to $1.7 billion, while spun yarns grew 2.0 per cent to $241.0 million.

Source: fashionatingworld.com-Mar 16, 2020

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Japan's textile and apparel exports decline 1 per cent in 2019

Japan Textiles Exporters Association trade figures reveal the nation's exports of textiles and apparel in 2019 decreased 1 per cent year-on-year to $7,742.66 million. Exports to Vietnam increased by 5 per cent to $1,053.32 million.

Exports of textile fibers decreased by 1 per cent to $827.34 million, while those of rayon staple fiber grew by 16 per cent to $73.23 million. Similarly, exports of polyester staple fiber declined by 3 per cent to $38.82 million, along with those of acrylic staple fiber also by the same 3 per cent to $534.29 million.

Yarn exports decreased by 8 per cent to $956.06 million with exports decreasing for rayon filament yarns, nylon filament yarns and polyester filament yarns.

Exports of nylon filament yarns dropped 25 per cent to $178.96 million. Exports of woven and knitted fabrics remained about the same as the previous year at $2,811.27 million, and those of coated fabric decreased by 4 per cent to $458.54 million.

Fabric exports increased for nylon filament fabrics, polyester filament fabrics and spun synthetic wovens, but decreased for cotton fabrics. Exports of nonwoven fabrics remained firm, while exports of apparel grew by 9 per cent to $536.97 million.

Source: fashionatingworld.com- Mar 16, 2020

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China tariffs: Industry groups seek relief

The Home Fashion Products Association (HFPA) is part of an effort to asking the U.S. government to reconsider tariffs on Chinese imports.

In a memo to HFPA members today, organization legal counsel Robert Leo noted the Trump Administration appears disinclined to change the current tariff structure as of yesterday.

"Both Treasury Secretary Mnuchin and the President's trade advisor, Peter Navarro, stated it is not contemplated, with the former stating that the administration will continue to review the situation and the latter calling the idea "'absurd on its face,'" said Leo, a partner at Meeks, Sheppard, Leo & Pillsbury.

Relatedly, the group Americans for Free Trade (AFT) sent a letter to Congress urging action to remove the tariffs and increase Congress' oversight of the process. AFT is also sending a letter to President Trump this week urging the removal of the tariffs. HFPA and the American Down & Feather Council are AFT members.

The letter did not address coronavirus. It was written for inclusion in the public record of the Ways and Means Committee hearing on U.S.-China Trade and Competition that took place Feb. 27.

"The Section 301 tariffs have sown uncertainty in the world's economy and mistrust with trading partners. The American economy deserves a better approach," AFT argued.

Source: hometextilestoday.com- Mar 16, 2020

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Bangladesh saddled with unsold stock

Goods are piling up in Bangladesh's readymade garment factories. Buyers from European countries have asked their suppliers to delay product shipment due to the global COVID-19 outbreak. This means that the factories will incur huge losses for putting shipments on hold and might face a shortage of working capital as payment from buyers would be deferred till delivery of products.

So they are facing difficulties including shortage of space in warehouses and scarcity of running capital due to the shipment delay. Manufacturers produce products taking bank loans against back-to-back letters of credit and now bank loans taken by factory owners might be classified due to non-payment.

Buyers want shipments to be delayed for a few weeks as stores in buyers' countries face a dwindling number of shoppers due to the coronavirus outbreak. Some buyers in Europe especially from Italy, Spain and Ireland have cancelled orders and some have downsized their requirements.

The pandemic broke out in China in December last year and has now spread to over 115 countries. Three people were tested positive for coronavirus for the first time in Bangladesh on March 8 and two more cases were detected recently.

Source: fashionatingworld.com- Mar 16, 2020

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Indonesia to relax trade rules to tackle COVID-19 impact

Indonesia plans to relax restrictions on importing goods as part of its fiscal measures to tackle the negative economic impact of the COVID-19 coronavirus outbreak, according to finance minister Sri Mulyani Indrawati, who recently said the number of restricted import goods may be reduced by up to half to spur business activity hurt by the pandemic.

As many as 749 harmonised system codes are to be scrapped, she was quoted as saying by Indonesian media reports after attending a ministerial meeting.

Items include textiles and textile products, ceramics, soybeans, corn, vaccines, health equipment, telecommunication tools and equipment, footwear and food supplements, according to the customs and excise office website.

The government will also relax regulations related to the food and drug monitoring agency, the minister said without disclosing details.

Coordinating Economic Minister Airlangga Hartarto said the government also plans to integrate the online Indonesia National Single Window system using Inaportnet to make logistical systems more efficient.

Manufacturing industries have complained of disruptions to their raw material supply, crippling factories across the country . Twenty to 50 per cent of raw materials for the country's industries are usually sourced from China, Indonesia's biggest trading partner.

The government is preparing several stimulus packages, including one that would expedite the import process for 500 importers with good reputations and another to reduce logistics costs in ports across the country.

The Asian Development Bank (ADB) previously said Indonesia might not be affected severely by the global health emergency, thanks to its minimal exposure to global trade and its wide room to maneuver in monetary policy.

Indonesia is heavily dependent on domestic demand, with household consumption growing 4.97 per cent year-on-year in the fourth quarter of 2019 to account for more than 50 per cent of gross domestic product.

The government unveiled a $717.87 million fiscal stimulus package to support the tourism industry and boost consumer spending to counter the economic impact of the coronavirus outbreak. At least 34 individuals in Indonesia have tested positive for COVID-19 and one has died.

Source: fibre2fashion.com- Mar 16, 2020

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Vietnam: Garment export value hits 5.3 billion USD during Jan-Feb

The export turnover of garment and textile products reached 5.3 billion USD in the first two months of 2020, down 3.5 percent year-on-year.

The export turnover of garment and textile products reached 5.3 billion USD in the first two months of 2020, down 3.5 percent year-on-year.

Of the total, 4.2 billion USD came from the shipment of clothes and 512 million USD from yarn, down 2.3 percent and 16 percent, respectively, according to the Vietnam Textile and Apparel Association (VINATEX).

At present, the supply of raw materials basically meets production demand in March and April.

However, the sector is facing a lot of difficulties, as the world economy is affected seriously by the coronavirus disease (COVID-19), resulting in a decrease in global demand.

Vietnam’s garment and textile exports fetched 39 billion USD in 2019, up 7.55 percent over the previous year but 1 billion USD lower than the target.

In 2020, the industry aims to achieve an export turnover of about 42 billion USD.

Source: en.vietnamplus.vn- Mar 16, 2020

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Pakistan: Textile exports up 3.68pc in seven months

Textile exports from the country during the first seven months of the current financial year grew by 3.68pc as compared to exports of the corresponding period last year.

During the period from July-January 2019-20, textile worth $8,099,885 million was exported as compared to the exports of $7,812,418 million during the same period last year.

According to the data released by Pakistan Bureau of Statistics, the exports of raw cotton increased by 9.99pc, as about 11,920 metric tons of raw cotton valuing $15,889 million was exported as compared to the 8,910 metric tonnes worth $14,446 million exported last year.

Meanwhile, 262,513 metric tonnes of yarn (other than cotton yarn) worth $640.001 million were exported in the first seven months of FY20 as compared to the exports of 241,036 metric tonnes valuing $635,040 million exported last year. During the period under review, knitwear exports of the country recorded an increase of 6.27pc, from $1,724,361 million last year to $ 1,832,486 million.

Source: profit.pakistantoday.com.pk- Mar 16, 2020

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Pakistan: Enhancement of textile exports urged

Pakistani Ambassador designated to Denmark Ahmad Farooq Monday said Faisalabad should further enhance textile exports to explore new opportunities for the export of frozen vegetables to Denmark.

Addressing the business community in Faisalabad Chamber of Commerce & Industry (FCCI), Ahmad Farooq said both the countries could also launch joint ventures for value addition in Agriculture products for the benefit of the two countries.

Addressing the business community in Faisalabad Chamber of Commerce & Industry (FCCI), he particularly mentioned huge trade deficit Pakistan was facing for the last many years and said we must focus on enhancing our exports to bridge the widening gap between imports and exports. He said

Denmark is very small country, but a rich and developed country. He said Pakistani exports to Denmark are around $ 1.81 million while imports are $100 million. He mentioned the exports of bed linen from Faisalabad to Denmark and said Pakistani products are comparatively cheap and much better in quality as compared to the other rival countries.

He said Pakistani bed sheets are widely used in hotels and hospitals and there is still room for further expanding its exports. He said Fuji Foundation has recently started export of frozen vegetables and being an agrarian economy and centrally located city of Pakistan, Faisalabad should also contribute its role in the export of frozen vegetables.

He said he will review the potential of Danish market so that our exporters could make arrangements for the exports of frozen vegetables at larger stage. He said there was huge untapped potential to launch joint ventures for technology transfer particularly for the value addition of agriculture products. He also mentioned Sialkot and said this city was also exporting 3 million footballs per annum.

He said there was a very small mission of Pakistan in Copenhagen, there is no dedicated Trade Officer and hence he will have to perform dual duties of trade officer as well as Ambassador. He requested the business community to cooperate with him so that he could play his role in enhancing Pakistani exports to Denmark.

Regarding Danish investment, he said that there were huge chances of technology transfer and interested exporters must remain in touch with him so that proper step could be taken to enhance our exports. To a question, he said he will review to setup a display centre for Pakistani products in Copenhagen. Regarding value addition and technology transfer, he said Danish development agency is installing a waste water treatment plant in Faisalabad with an estimated cost of 130 million euro.

He said the business community of Faisalabad should identify more viable projects for which financial help could be sought from this agency. About image building of Pakistan, he said he will try his optimum best but the business community should also support him in brining the business community of two countries closer to each other.

About the possibilities of the export of rice, he assured that he will review the opportunities of export to Denmark so that rice exporters could make proper arrangements of its exports. FCCI president Rana Sikandar Azam said the FCCI is the 3rd largest chamber of Pakistan. He said it is known for its iconic textile sector but other segments of economy are also contributing there due role in the overall exports and uplift of the country.

He underlined the need to enhance exports and said in this connection the private sector should work in close liaison with Pakistani diplomats stationed in different countries. He also mentioned the threats of coronavirus and said it will be difficult for fragile economy of Pakistan to bear it. He hoped that the designated ambassador will point out various measures to save Pakistani exports from its negative impacts.

He said the FCCI is making serious efforts to enhance Pakistani exports and in this connection six delegations had already visited different countries. He said the FCCI also contemplating to send a trade delegation to Denmark so that our members could personally explore the business opportunities in that country.

He also requested Ahmad Farooq to identify the serious and reliable textile importers of Denmark so that Pakistani exporters could have detailed meetings with them. He also offered to organize a “Made in Pakistan Exhibition” in Copenhagen.

A documentary on Faisalabad and Faisalabad Chamber of Commerce & Industry also screened while a question-answer session was held that was attended by Shabbir Hussain Chawala, Arif Ehsan Malik, Engineer Ahmad Hassan, Mian Zahid Aslam, Mirza Shafiq, Mian Abdul Waheed, Engineer Babar Shehzad, Dr. Fazal Ullah and Amjad Khawaja.

Later, Rana Sikandar presented the FCCI shield and a bilateral trade report on Pakistan & Denmark to Ahmad Farooq while Bilal Waheed Sheikh offered vote of thanks.

Dr Sajjad Arshad, Mian Gulzar Ahmad, Haji Abid, Chaudhry Muzammal, Capt Farooq, Mian Nadeem, Mian Tanveer Ahmad, Ismail Soharwardi, Mian Amir, Chaudhry Amanat, Rana Ikram Ullah, Rana Shabbir Hussain and Rana Saeed also attended the meeting.

Source: thenews.com.pk- Mar 17, 2020

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NATIONAL NEWS

Commerce Ministry holds meeting of stakeholders on new foreign trade policy

The Commerce and Industry Ministry on Monday held deliberations with stakeholders on issues related to the forthcoming foreign trade policy (FTP) for 2020-25, an official said.

The meeting was attended by representatives of CII and exporters from various sectors.

The official said that presentations were given to Commerce Minister Piyush Goyal on sectors such as textiles, chemicals, agriculture, capital goods, electronics, engineering, pharmaceuticals, leather, higher education, hospitality and tourism, e-commerce, and media and entertainment.

Suggestions were given on inclusion of these sectors in the next policy, the official added.

All export and import-related activities are governed by the FTP, mainly aimed at enhancing the country's exports and using trade expansion as an effective instrument of economic growth and employment generation.

The FTP will also provide guidelines and incentives for increasing exports for the next five financial years from 2020-21 to 2024-25.

The validity of the old policy will end on March 31, 2020.

Currently, tax benefits are provided under the Merchandise Export from India Scheme (MEIS) for goods and the Services Export from India Scheme (SEIS).

Source: financialexpress.com- Mar 16, 2020

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Exporters seek financial package to offset impact of COVID-19

A stimulus financial package is required to re-energise the market economy, says TEA president

Tirupur Exporters' Association (TEA) urged Finance Minister Nirmala Sitharaman to announce financial measures to rejuvenate the economy and business confidence of the exporting units in order to offset the impact of coronavirus on Monday.

In a letter to the Finance Minister, TEA president Raja M Shanmugham sought a proactive step and immediately advise the banks not to categorise the units as NPAs for non-repayment of loan, but provide at least a one-year moratorium which, according to him, would help the units, particularly the MSMEs, to sustain in the business.

The stimulus financial package is also required to re-energise the market economy and a quantitative easing methodology is required at this hour of crisis to revive the economy and uplift the business confidence, he said.

He said the European buyers, particularly from Italy and Spain, have already asked TEA members not to export the garments to them and wait for a minimum one or two months till the situation was normal and the shops are re-opened.

The TEA president further said some of the buyers were even cancelling the orders also and more importantly, the buyers were deferring the payment of the already sent goods. He said the cause of concern is that the production activities have been continuously taking place to fulfil the committed orders and deliver in time and the disruption at this crucial juncture is causing a huge impact on the financial part of the units.

Disruption in economy

The protection planning of the units have gone topsy-turvy, and in the current scenario, the units, particularly MSMEs, would not be in a position to repay the loan to the banks, he said. "We apprehend that due to non-clearance of dues, the banks may straight way classify the units as NPAs as per BASEL norms. In addition to this, the dyes and chemicals prices have gone up by about 30 per cent which will impact cost of production also," the letter said.

To overcome the disruption in the economic activity caused by coronavirus, many countries like USA and China have already taken a slew of financial measures like reduction of bank interest rates and cash reserve, debt moratorium provided to MSMEs, deferment of loan and tax payment without interest,including the announcement of new bridge loans and credit guarantees also, the TEA president added.

Source: thehindubusinessline.com- Mar 16, 2020

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Covid disruption: Tirupur Exporters' Association seeks one-year moratorium on repayment of loans

The Tirupur Exporters' Association (TEA), the country's leading knitwear/readymade garments cluster, has sought financial measures, including moratorium period for repayment of loans. The association also sought interest equalisation scheme on pre-and post shipment rupee export credits.

In his letter addressed to finance minister Nirmala Sitharaman on Monday, TEA president Raja M Shanmugham said, "To overcome the disruption in the economic activity caused by coronavirus, many developed countries — the US, Germany, Italy, France, the UK and Japan — and China have already taken a slew of financial measures like reduction of bank interest rates and cash reserve, debt moratorium provided to MSMEs, deferment of loan and tax payment without interest, including announcement of new bridge loans and credit guarantees also."

"These countries have pumped in billions of dollars to bring the industries back to normalcy. In fact, the US Federal Reserve has cut its key interest rate to virtually zero. In line with the financial measures taken by all the industrialised countries to bailout the units out of the ongoing crisis, we also request you to take a proactive step and immediately advice the banks not to categorise the units as NPAs for non-repayment of loan and provide at least one year moratorium, which will help the units, particularly MSMEs, to sustain in the business," Shanmugham said in his letter.

The stimulus financial package measures are also required to reenergise the market economy. The quantitative easing methodology is required at this hour of crisis to revive back the economy and uplift the business confidence of entrepreneur, he added.

It is to be noted further that the European buyers, particularly from Italy and Spain, have already asked our members not to export the garments to them and wait for minimum one or two months till the situation resume normalcy and the shops are reopened. Some of the buyers are even cancelling the orders. More importantly, the buyers are differing the payment against the promise for already sent goods also.

They are also not lifting the goods. The cause of concern is that the production activities have been continuously taking place to fulfill the committed orders and deliver in time, and the disruption at this crucial juncture is causing a huge impact on the financials of the units.

The protection planning of the units have gone topsy-turvy. In the current scenario, the units, particularly MSMEs, would not be in a position to repay the loan to the banks. “We apprehend that due to non-clearance of dues, the banks may classify the units NPAs as per Basel norms. In addition to this, the dyes and chemicals prices have gone up by about 30% which will impact cost of production also,” he further pointed out.

According to Shanmugham, with the interest equalisation scheme on pre- and post shipment rupee export credit, which has been in force from April 1, 2015, for five years, expiring on March 31, 2020, the finance minister should advice the RBI to extend the scheme for at least another three years for all categories of knitwear exporting units mainly to enhance the competitiveness of knitwear exports and also to have a level-playing field in the global market.

He mentioned that the interest equalisation rate at 3% was existing to all labour-intensive categories of exporting units, including knitwear exports sector, and subsequently, the rate was increased to 5% for MSMEs since November 2, 2018.

Source: financialexpress.com- Mar 17, 2020

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Granite, textile yarn industries badly hit by Covid-19

China is a big market for both segments

Suggested keywords: granite, textile yarn, Gem Granites, China, Indian stones, demand, exports, Tamil Nadu, synthetic stones

The granite and textile yarn industries are among those badly hit by the coronavirus outbreak.

“Half of our exports go the East, this market is completely gone,” says Rangaswami Veeramani, Chairman of Gem Granites, one of the country’s leading granite exporters.

In 2018-19, India exported stones worth ₹5,651 crore, according to the data provided by the Ministry of Commerce. In the first ten months of the current fiscal, the exports of these products amounted to ₹4,465 crore. But now, there is a drastic fall in demand.

As for cotton yarn, India exported $1.28 billion worth last year, which, incidentally, was a steep fall from the previous year’s $2.09 billion — the fall was because of the US-China trade war. As much as 40 per cent of the exports go to China, says Hari Thiagarajan, Executive Director, Thiagarajar Mills, Madurai.

Veeramani told BusinessLine that China is a big market for Indian stones. In the stones industry, unlike other minerals such as iron ore or coal, each colour or variety is a product by itself and the demand changes fast in consonance with the ‘fashion factor’ abroad.

China, he says, is a buyer of several products — Tam Brown, Galaxy, Maple Red — for which there is no demand anywhere else in the world.

Roughly 25 lakh people are employed in the Indian granite industry, more than half of them have lost jobs because of the fall in demand.

Even in the best of times the granite industry has been buffeted by many problems, biggest among them being the refusal of many State governments to automatically renew mining licences, high royalties, a recent levy called ‘district mineral development fund’ and the system of allocating mines by auctioning despite the fact that the mines are discovered and developed by companies. The absence of guarantee for renewal hampers investments and the auction method of allotting mines kills the initiative to put down money to discover and develop mines.

In addition to these, in Tamil Nadu, which has large granite resources, the State government reckons the recovery of granite from the mines at 90 per cent of stone pulled out, though the industry norm is 15 per cent.

On top of all this, the industry has been facing competition from ‘synthetic stones’, which are chipping away at its market share.

And then came the crippling coronavirus.

Veeramani pleads for moratorium on interest payments to banks; he wants the RBI to tell banks not to treat non-payment of interest as bad loans, so that banks could continue to lend for working capital — a crucial need of the hour.

The yarn industry, on its part, is also asking for a similar moratorium on interest payments and protection from being branded NPA by banks. In addition, it also wants the government to extend the scheme that provides ‘rebate of state and central taxes and levies’ (RoSCTL) to yarn.

The benefits of RoSCTL are available to exporters of ready-made garments and made-ups.

Thiagarajan, who is also the Chairman of the Tamil Nadu Chapter of the Confederation of Indian Industry, also seeks reduction in import duty on key inputs for the textile industry — chemicals, dyes, resins and non-woven fabric. A big source for these items — China — has dried up, hence this plea.

He also requests the Tamil Nadu government to temporarily lower electricity tariffs “by one or two rupees” while the coronavirus threat persists.

Source: thehindubusinessline.com- Mar 16, 2020

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ICRA expects Indian apparel exporters to report a moderation in profitability in FY20

ICRA expects the Indian apparel exporters to report a moderation in profitability in FY2020, with pressures likely to sustain at least in the near term, and the turnover growth to be subdued, except for a few larger players with an established client base.

The industry is facing increased challenges like increased bargaining power of buyers amid intense competition, cost-side pressures emanating from disruptions in procurement of materials and consumables (such as colours, chemicals, accessories/ trims etc.) from China and write-backs of export incentives booked previously – all of which are expected to adversely impact profitability.

Commenting on this, Mr. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, said: “In addition to sustained pressures on liquidity owing to delays witnessed in clearance of the Government dues, we expect a correction of around 100-150 bps in the operating profitability of Indian apparel exporters in FY2020, which is expected to result in a moderation in debt coverage metrics. The impact is likely to be more pronounced for leveraged and smaller companies, with limited bargaining power with customers, modest liquidity cushion and/or less financial flexibility to absorb the impact.”

The Indian apparel exporters are passing through testing times, with several internal and external challenges. The external issues primarily stem from an unfavourable demand-supply scenario. Demand in the key markets has remained subdued, with impact heightened by the rapid spread of the COVID-19 across regions in the recent weeks.

While demand from the EU has remained weak, recent trends in the US apparel imports have also been discouraging, corroborated by a volumetric decline of 12% Y-o-Y in apparel imports by the US in Q3 FY2020 and an overall decline of 0.3% Y-o-Y in 9M FY2020.

This follows an 17% and 5% Y-o-Y decline in domestic retail sales of clothing and clothing accessories (in value terms) in the US in Q3 FY2020 and 9M FY2020 respectively. Besides affecting order flows, this could potentially result in renegotiation of realisations as well as an elongated receivables cycle for the exporters.

Further, the competition from peer nations is intensifying with increasing penetration of free trade agreements (for instance, Bangladesh has duty-free access to the EU markets under the Everything but Arms scheme, while the EU-Vietnam Free Trade Agreement is in advanced stages of execution) tilting the market in their favour.

While the external challenges are proving to be growth headwinds for companies, internal challenges are constraining profitability and liquidity of players across the spectrum. These pertain to recent retrospective revision in and continued uncertainty on structure of export incentives as well as delays witnessed in clearance of previous dues and input credit refunds.

As per a recent ICRA report, correction in profitability follows a clarification issued by the Government of India (GoI) in January 2020 on the structure of export incentives available to exporters in the current fiscal, which resulted in material change with retrospective effect. While the exporters factored in the export incentive benefits under the Rebate of State and Central Taxes and Levies (RoSCTL) scheme and the Merchandise Exports from India Scheme (MEIS) for the period March 2019 to December 2019, the MEIS scheme was discontinued with retrospective effect from March 2019 onwards.

This has necessitated a write-back of export incentives already booked in the orders shipped during the current fiscal, affecting profitability. Although, for exporters facing a decline in incentives, the Government announced an additional one-time ad hoc incentive of up to 1%, this would only partially compensate for the loss and some impact on profitability is still likely. Further, the overall incentives are likely to reduce from the next fiscal when the ad hoc benefit gets extinguished.

Significant delays in clearances have also constrained liquidity of the exporters during much of the current fiscal. Having said that, the liquidity pressures seem to be easing with disbursals having commenced in the recent weeks, after the Government issued detailed procedural guidelines for filing the claims of RoSCTL and ad-hoc incentives. While sustainability of the timely releases remains to be seen, the uncertainty on structure/ rate of export incentives remains as the details of the new export incentive scheme are yet to be announced. The Cabinet Committee on Economic Affairs (CCEA) approved the scheme for Remission of Duties or Taxes on Export Products (RoDTEP) on March 13, 2020.

However, the segment-wise rates and effective dates are yet to be announced, which is expected to take another six to eight months. Under the scheme, reimbursement will be provided for taxes/ duties/ levies, at the Central, state and the local level, which are currently not being refunded under any other mechanism, but are incurred in the process of manufacture and distribution of the exported products, thereby attempting to make the exports zero-rated. With peer nations enjoying duty-free access in some of the key markets, export incentives have played a crucial role in supporting competitiveness of domestic apparel exporters in the international markets.

Accordingly, this remains a key monitorable for the sector, as the recent coronavirus outbreak is likely to encourage major international buyers to diversify their sourcing base, to reduce dependence on China, which accounts for over 30% of the global apparel trade. Key countries that stand to benefit from this shift include Bangladesh, Vietnam, India and Turkey.

This comes at a time when China has already been shedding its share in the global apparel trade (share down from ~42% in CY2015 to ~32% in CY2019) focusing more on higher value-added sectors, and the US-China trade war has escalated the pace of shift away from Chinese suppliers in the past one year.

This is corroborated from the fact that while the US' apparel imports from China declined by ~32% Y-o-Y in Q3 FY2020, following a tariff hike in September 2019, other leading peer nations - including Cambodia, Bangladesh, Vietnam and India - reported ~12%, 9%, 6% and 1% Y-o-Y increase respectively. Having said that, the shift in the sourcing base is likely to be gradual as there are exit barriers for large buyers in terms of compliance requirements and establishing a reliable supplier base for large quantities.

Concluded Mr. Roy, "Apparel exporters from India, particularly the larger ones, are well positioned to benefit from the market opportunity in the medium term. Nevertheless, it would require companies to scale up their operations, maintain strict delivery schedules and meet stringent compliance requirements of buyers in a short span of time, to fill the supply-side gap left by the Chinese exporters."

Source: economictimes.com- Mar 16, 2020

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Bt cotton only increased cost of cultivation: Study

'Higher output due to other factors'

Much of the increase in cotton yields in India cannot be attributed to the adoption of transgenic cotton, as claimed earlier, but to other factors such as increase in area of cultivation, fertiliser use, better irrigation and new class of insecticides in last 15 years, according to a new study.

The study appeared in the journal Nature Plants last week. It was the very first study on the long-term impact of cultivation of Bt cotton, which, since its introduction in 2002, covered more than 90 per cent of cotton fields in India.

'No agronomic benefits'

According to the study, carried out by Glenn Davis Stone, a sociocultural anthropologist specialising in human aspects of global agricultural trends at Washington State University, and Keshav R Kranthi of International Cotton Advisory Committee at Washington DC, the adoption of Bt cotton seeds in India was devoid of any enduring agronomic benefits and only resulted in rising capital-intensiveness of cotton farming in the country.

"In the decade following 2005, when Bt seed began its rapid spread across Indian cotton farms, per-hectare costs for seeds rose by 78 per cent, for insecticides by 158 per cent, for fertiliser by 245 per cent and for labour by 275 per cent (due to legislation unrelated to Bt seeds), with the overall production cost of seed cotton rising by 143 per cent," they said in the paper.

"Our conclusion is that Bt cotton's primary impact on agriculture will be its role in making farming more capital-intensive – rather than any enduring agronomic benefits," said Stone in a statement.

There are two particularly devastating caterpillar pests for cotton in India, and, from the beginning, Bt cotton did control one of them: the American bollworm. "It initially controlled the other one, too -- the pink bollworm -- but that pest quickly developed resistance and now it is a worse problem than ever," said Stone.

"Bt plants were highly vulnerable to other insect pests that proliferated as more and more farmers adopted the crop. Farmers are now spending much more on insecticides than before they had ever heard of Bt cotton. And the situation is worsening," he said.

'Bt-hybrid obsession'

Kranthi, a noted cotton scientist and former director of the Central Institute of Cotton Research (CICR) in Nagpur, was more scathing. Speaking to BusinessLine from Washington, he said, "India needs to overcome the Bt-hybrid obsession."

It needs to get over three major misconceptions. One, Bt cotton alone was responsible for the increase in cotton yields, two, hybrid cotton is superior to other varieties in providing high yields and thirdly, the growth in yields has been affected because the introduction of even more advanced GM traits was stopped in the country since 2005.

"We need to plan seriously for alternative sustainable strategies that are best suited for our ecosystems, soils, weather, impending climate change and rural agrarian socio-economic conditions," Kranthi said.

He said the two-fold increase in productivity after 2002 was due to a 50-60 per cent increase in area, doubled fertiliser use, increase in irrigation and introduction of a few new insecticides that were effective in controlling sucking pests and bollworms.

Higher fertiliser usage

Using data available with the Agriculture Ministry, they showed that fertiliser usage started to increase significantly after the introduction of Bt cotton, from 96 kg per hectare (kg/ha) in 2002 to the levels of 192 to 224 kg/ha during the period 2010 to 2015.

"Fertiliser usage increased from 0.84 million tonnes in 2002 to 2.57 million tonnes by 2011-12, with highest increases of 5.8-fold in Gujarat, 4.3-fold in Maharashtra, 4.2-fold in Karnataka and 2.5-fold in Andhra Pradesh. The expenditure on fertilisers on cotton at current prices, increased by 5.5-fold, from ₹1,504 per hectare in 1999 to ₹8,296 in 2013," said Kranthi.

The rising costs had severely impacted farmers as well. According to the former CICR director, the cost of cotton cultivation in the country increased four-fold from ₹18,146 per hecatre in 2003 to ₹ 72,434/ha in 2013. Net profits were ₹5,971/ha in 2003 but plummeted to net losses of ₹5,849/ha in 2014 and ₹6,286/ha in 2015," he said.

Source: thehindubusinessline.com- Mar 16, 2020

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India's exports of 1,945 products to US grow sans GSP

Exports of 1,945 Indian products, including auto components and textile materials that were availing duty incentives under the US generalised system of preferences (GSP), recorded a growth of 5 per cent to $5.47 billion during June-December 2019 period compared to the corresponding period of the previous year, parliament was informed last week.

US GSP benefits were rolled back in June last year. On February 10 this year, the United States also removed India from the lost of developing countries for the purpose of countervailing investigations under the WTO's Agreement on Subsidies and Countervailing Measures.

Commerce and industry minister Piyush Goyal said in a written reply to the upper house that the average duty benefits accrued to exporters and importers on account of the US GSP were 3.8 per cent, which varied across the products.

In a separate reply, the minister said exports of these 1,945 product to the United States grew by 13 per cent in 2018 to $6.37 billion as against $5.76 billion in 2017, $4.74 billion in 2016 and $4.62 billion in 2015. In an another reply on start-ups, Goyal said as on February 28 this year, as many as 320 start-ups received ₹3,378 crore funding under the Fund of Funds of the ministry.

"Indian startups are increasingly attracting foreign investments," he said adding till February 29 this fiscal, they have attracted ₹2,077 crore and ₹1,733 crore in 2018-19 and ₹1,209 crore in 2017-18.

Source: fibre2fashion.com- Mar 16, 2020

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CCI to continue cotton purchase at MSP from farmers despite coronavirus fears

The Cotton Corporation of India (CCI) has stated that cotton procurement at MSP will continue across markets. However, farmers are still holding onto their crops seeking better prices and also due to the directives issued by the district collectors to avoid crowds, senior industry people said.

P Alli Rani, CMD, CCI, said that no such directives have been received from the government and therefore, cotton purchase from farmers shall continue. As long as the Agriculture Produce Market Committees (APMCs) run, we shall continue to purchase cotton from farmers, she said. Till date, the CCI has purchased some 80 lakh bales.

Most APMCs in Maharashtra are still running normally since they are located in rural areas and the coronavirus impact is largely being seen in urban areas so far, Jaydutta Holkar, former chairperson, Lasalgaon APMC, said. Atul Ganatra, president, Cotton Association of India (CAI), said that around 60% of the cotton has already arrived in the market till date. Daily arrivals are to the tune of 1.30 lakh bales and the arrivals are gradually reducing.

Farmers who have around 30% of the produce are holding onto their crops seeking better returns, he said. The coronavirus fears, however, have impacted the international market which, in turn, has had an impact on the domestic prices, he said. Cotton prices are in the range of Rs 38,000 per candy to Rs 38,500 per candy for good quality cotton, from Rs 40,000-42,000 per candy nearly 10 days ago, he said. Cotton exports from the country are still good, he said, adding that nearly 30 lakh bales have been exported to various countries so far of which 50% is to Bangladesh, which has been the biggest buyer this season, he said.

In Jalgaon, a major cotton and ginning belt in Maharashtra, the picture is very different with farmers, ginners and traders getting into a panic mode, said Pradeep Jain, president Khandesh Gin/Press Owners & Trade Development Association.

Prices have come down and due to market speculation that the CCI may not purchase cotton till March 31 and directives from district collectors to avoid crowds, farmers are avoiding markets, he said.

Cotton purchases may dwindle in the next 15 days, he said. Ginning units are functioning on a skeletal basis and only as per need, he said, adding that trade could come to a stand-still in a few days.

Source: financialexpress.com- Mar 17, 2020

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Apparel exporters face a cut in profits

Fall of 100-150 bps in operating profit likely this fiscal on global and local challenges

Indian apparel exporters are facing testing times with falling demand globally and operational challenges domestically due to the coronavirus outbreak.

Apparel exporters are expected to report a moderate profit this fiscal, with pressures likely to sustain at least in the near term and the turnover growth to be subdued, except for a few larger players with an established client base.

The industry is facing challenges such as increased bargaining power of buyers amid intense competition, cost-side pressures emanating from disruptions in procurement of materials and consumables (such as colours, chemicals, accessories/trims, etc) from China and write-backs of export incentives booked previously — all of which are expected to adversely impact profitability.

Fall in US imports

Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, said in addition to sustained pressures on liquidity owing to delays in clearance of the Government dues, a fall of 100-150 bps in operating profit of Indian apparel exporters is expected this fiscal.

This may result in a moderation in debt coverage metrics and the impact will be more pronounced for leveraged and smaller companies, with limited bargaining power with customers, modest liquidity cushion and less financial flexibility to absorb the impact, he said.

This apart, demand in key markets has remained subdued with rapid spread of the Covid-19 across regions in the recent weeks. While demand from the EU has remained weak, recent trends in US apparel imports have also been discouraging, corroborated by a 12 per cent fall in apparel imports by the US in Q3 this year and an overall decline of 0.3 per cent in nine months of this fiscal.

Competition from peers

Competition from peer nations is intensifying with increasing penetration of free trade agreements. For instance, Bangladesh has duty-free access to the EU markets under the Everything but Arms scheme, while the EU-Vietnam Free Trade Agreement is in advanced stages of execution.

While the exporters factored in the export incentive benefits under the Rebate of State and Central Taxes and Levies (RoSCTL) scheme and the Merchandise Exports from India Scheme (MEIS) for the period March 2019 to December 2019, MEIS was discontinued with retrospective effect from March 2019 onwards. This has necessitated a write-back of export incentives already booked in the orders shipped during the current fiscal, affecting profitability.

Source: thehindubusinessline.com- Mar 16, 2020

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COVID-19 hits all industry verticals

Supply chain hit, demand drops, outlook for 2020 bleak, say observers

India may face a further dip in GST collections as most of the industries such as poultry, sea food, consumer durables and electronics, tour and travel, hospitality, apparel, gems and jewellery etc. are likely to see a significant decline in revenue due to COVID-19 outbreak, as per industry observers.

Cross border trade is also likely to get hit as exports to prominent countries like Europe, U.S. and China will see a decline due to the corona outbreak. For instance, the textile industry, which accounts for 10% of the annual exports, is heading towards a major decline in revenue as supply chain has been disrupted and export orders have been on a drastic decline, as per observations made by Vayana Network, a third party supply chain finance platform.

Ram Iyer, Founder & CEO, Vayana Network, said, ``Supply chain is seriously damaged. Both exports and imports are affected. The corona factor will create serious working capital shortages for corporates and the entire supply chain ecosystem.''

According to ICRA, demand in the key markets has remained subdued, with impact heightened by the rapid spread of the COVID-19 across regions in the recent weeks.

ICRA expects the Indian apparel exporters to report a moderation in profitability in FY2020, with pressures likely to sustain at least in the near term, and the turnover growth to be subdued, except for a few larger players with an established client base.

Mr. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA said, ``The Indian apparel exporters are passing through testing times, with several internal and external challenges. The external issues primarily stem from an unfavourable demand-supply scenario.''

As per ICRA analysis, the industry is also facing challenges like increased bargaining power of buyers amid intense competition, cost-side pressures emanating from disruptions in procurement of materials and consumables such as colours, chemicals, accessories/trims etc, from China.

While demand from the EU has remained weak, recent trends in the U.S. apparel imports have also been discouraging, corroborated by a volumetric decline of about 12% Y-o-Y in apparel imports by the US in Q3 FY2020 and an overall decline of ~0.3% Y-o-Y in 9M FY2020. This follows an about 17% and about 5% Y-o-Y decline in domestic retail sales of clothing and clothing accessories (in value terms) in the U.S. in Q3 FY2020 and 9M FY2020 respectively, ICRA further says.

Trade activity growth had shown a bit of improvement in February 20, largely backed by higher export growth and oil imports, however, trade dynamics are likely to change further in 2020 due to COVID-19, warns Emkay Global Financial Services, in a trade review.

Source: thehindu.com - Mar 16, 2020

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