

IBTEX No. 253 of 2017

December 19, 2017

USD 64.14 | EUR 75.61 | GBP 85.83 | JPY 0.57

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
18740	39200	78.07
Domestic Futures Price (Ex. Gin), December		
Rs./Bale	Rs./Candy	USD Cent/lb
19530	40852	81.36
International Futures Price		
NY ICE USD Cents/lb (March 2018)		75.20
ZCE Cotton: Yuan/MT (Jan 2018)		14,930
ZCE Cotton: USD Cents/lb		87.00
Cotlook A Index - Physical		85.9
<p>Cotton & currency guide: Market has topped near the 76.75 cents for March 2018 contract at ICE on Monday. This had reached to an extreme overbought phase hence a marginal price correction is witnessed. The mentioned contract posted a negative close at 75.20 and the same is seen trading at 75.14 cents this morning. We believe a temporary price correction on the lower side cannot be ruled out.</p> <p>From chart perspective we see the mentioned contract may correct down side towards 74 cents. As we have been discussing market has breached the key resistance level and the base is changed for the short term and currently trading in the same band. We now expect as long as ICE cotton contract holds above 74 cents market may trade positive while marginal correction can be expected on today's trading session. So the broad trading range should be 74 to 77 cents per pound.</p>		

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Coming onto market trading the other months also traded marginally down.

The trading volumes were around 25744 contracts around 50% lower than the previous trading session's volume. The open interests were by and large higher. Open interest were at 266,156 contracts, up 4,489 contracts from last Friday. While talk of new cash sales continued, the pace has probably slowed down. Prices and the upcoming holidays may be changing the mood; at least temporarily.

On the domestic front, prices for Shankar-6 new crop moved higher over the weekend to an average of Rs. 39,900 per candy, ex-gin (79.40 US cents per lb at the prevailing exchange rate). Quotes for new crop Punjab J-34 are lower today at Rs. 4,080 per maund (about 77.35 cents per lb). Daily seed cotton arrivals were around 169,000 lint equivalent bales (170 kgs). This includes 58,000 registered in Maharashtra, 32,000 in Gujarat and 29,000 in Northern India.

The effect was partly felt on the future contracts. The most active December future contract has ended the session on a lower note at Rs. 19530 down by Rs. 210 from the previous close. We expect market to trade down and recommend avoiding fresh long position on today's trading session while marginal bearish correction can be expected.

The trading range for the day would be Rs. 19300 to Rs. 19600 per bale for December contract at MCX.

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

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INTERNATIONAL NEWS

China's cotton output reverses declining trend

China's cotton output ended a four-year declining streak, increasing 2.7 percent in 2017, as yield per hectare saw strong growth, official data showed on Dec 18.

Cotton output increased 142,000 tonnes to around 5.49 million tonnes, according to the National Bureau of Statistics (NBS).

The area of cotton fields in China fell 4.3 percent year-on-year to 3.23 million hectares, but yield per hectare rose 7.3 percent, the NBS said.

Northwest China's Xinjiang Uygur autonomous region, the country's largest cotton growing area, accounted for 74.4 percent of the national total output, 7.1 percentage points higher than last year.

China's cotton output peaked in 2012 at 6.84 million tonnes, more than 2.2 times that of 1978. It started to drop from 2013 due to relatively low profitability.

Though other cotton growing areas continued to see shrinking output this year, Xinjiang posted increases in both area and yield, due to the promotion of scale production, according to Zhao Jianhua, an NBS statistician.

Source: english.gov.cn- Dec 18, 2017

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WTO, ITC launch cotton portal to enhance transparency

The World Trade Organisation (WTO) and the International Trade Centre (ITC) launched an online platform for market intelligence for cotton products at the recent 11th WTO Ministerial Conference in Buenos Aires. The portal will contribute to a more efficient cotton trading system by offering improved transparency to cotton producers, traders and policymakers.

The Cotton Portal is designed for exporters, importers, investors and trade support institutions to search business opportunities and market requirements for cotton products. It provides a single window for all cotton-specific information available in WTO and ITC databases on market access, trade statistics, country-specific business contacts and development assistance-related information as well as links to relevant documents, webpages and to other organizations active in the cotton sector.

Market opportunities in the sector can be better harnessed using the portal, according to a WTO press release.

“By gathering all the relevant information, it means that we can better monitor the implementation of the Market Access commitments made by members in Nairobi,” according to WTO director general Roberto Azevêdo.

The 2015 Nairobi Ministerial Decision on Cotton contains provisions on improving market access for least-developed countries, eliminating export subsidies, and the efforts to be made to reform domestic support. It also underlines the importance of effective assistance to support the cotton sector in developing countries.

Businesses will have easier access to trade and market intelligence, allowing them to add additional value to their exports, ITC executive director Arancha González said.

Source: fibre2fashion.com- Dec 18, 2017

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EU, Japan finalise Economic Partnership Agreement

Building on the political agreement reached in principle during the European Union (EU)-Japan Summit in July this year, EU trade commissioner Cecilia Malmström and Japanese foreign minister Taro Kono recently announced in Brussels the conclusion of the final discussions on the EU-Japan Economic Partnership Agreement (EPA), the biggest bilateral trade pact by the EU.

The EPA will remove the vast majority of the €1 billion of duties paid annually by EU companies exporting to Japan, as well as a number of long-standing regulatory barriers.

It will also open up the Japanese market of 127 million consumers to key EU agricultural exports and will increase EU export opportunities in a range of other sectors, according to an EU press release.

The agreement will scrap duties on wines and many varieties of cheese, ensure the protection in Japan of more than 200 high-quality European agricultural products, open up services markets, such as financial services, e-commerce, telecommunications and transport, and guarantee EU companies access to the large procurement markets of Japan in 48 large cities.

The deal includes a specific commitment to the Paris Climate Agreement and a comprehensive chapter on trade and sustainable development, sets the highest standards of labour, safety, environmental and consumer protection and strengthens EU and Japan's actions on sustainable development and climate change.

Source: fibre2fashion.com- Dec 18, 2017

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Denim Made in America Takes a Big Hit, But It's Not Dead Yet

U.S. denim manufacturing has suffered some severe body blows of late from which it might never fully recover, but some contend where's there's a loss there's also opportunity.

The U.S. denim market lost an iconic symbol when Cone Denim said it was ceasing operations and closing down the White Oak mill in Greensboro, North Carolina, at the end of the year after 110 years of continuous production.

Then DNA Textile Group in Columbus, Georgia, announced late last month that it will be exiting the denim business by the end of January due to sagging demand and low selling prices.

The denim market—fabric and jeans—moved the bulk of U.S. domestic production into Mexico following the enactment of the North American Free Trade Agreement in 1994, and since then mills in countries like Pakistan and Turkey have become major players.

International Textile Group (ITG), parent company of Cone Denim, said changes in market demand have significantly reduced order volume at the facility as customers have transitioned more of their fabric sourcing outside the U.S. Despite tremendous efforts on the part of the plant staff and all employees to manage these changes, the plant's large size provides much more capacity than is needed, resulting in a significantly higher manufacturing cost that cannot be supported in a sustainable business going forward, ITG said.

“For more than 125 years, Cone Denim has defined American denim and authenticity with the White Oak mill representing the essence of Cone's heritage,” said Kenneth T. Kunberger, president and chief executive officer of Cone Denim and ITG. “We truly regret having to take this action to close the mill, and we deeply appreciate the loyalty and dedication of all current and former employees of the White Oak mill.”

The White Oak mill, known for its 1940s vintage American Draper X3 shuttle looms that produced vintage selvage denim, was started in 1905.

Cone Denim's extensive global platform includes state-of-the-art operations in Mexico and China and the Cone® 3D R&D incubator focused on advancing performance and sustainability to the world's favored fabric.

Kara Nicholas, vice president of product design and marketing for Cone Denim, said with White Oak closing, business will be transitioning to Cone's Mexican facilities.

Nicholas noted that the White Oak had become a "boutique business" and used for product development.

"Along with our factories in China, we had developed a global strategy over the years," she said. "Made in America for denim has become very challenging and without much apparel manufacturing, it became increasingly difficult to support."

Monte Galbraith, president of DNA Textile Group, said, "We regret having to make the decision to cease denim operations and are profoundly grateful to our denim team members who have invested their incredible talents and loyalty to DNA over these past 15 years. It is because of their outstanding efforts, willingness to change, and most importantly their commitment to innovation that our denim business carried on much further and longer than conventional wisdom called for, and for that I will always be grateful."

Galbraith said DNA Textile Group will be "pivoting quickly and focusing on our five-year-old Technical Fabrics and Custom Finishing Divisions," which have been steadily growing and still have a bright future.

Tricia Carey, director of global business development for denim at Lenzing, said of the closing, "You have to ask, does this symbolize the end of U.S. denim production? Who is there left to call on for sourcing denim in America? Mount Vernon Mills is still around, but who else is there? Can it continue to be viable?"

Dale McCollum, vice president of merchandising denim fabrics for the Apparel Fabrics division of Mount Vernon Mills, added, "It's a sad day to hear of these closings. We always liked healthy competition. It made us better and it always made life better for our customers. As those companies have talked about their exit strategies, the effect it has on Mount Vernon is

that we will have a lot customers coming directly to us, especially in the realm of Made in the United States.”

McCollum said Mount Vernon has been a “quiet giant down here in Trion, Georgia, with quite a rich heritage.” The company started manufacturing denim in the 1970s.

“Since Cone’s announcement, I have been contacted by several brands that want to continue to make denim garments made in the USA,” McCollum said. “We’ve reviewed product lines with them and they have found it very satisfactory. That’s an encouragement to us to keep that momentum going.”

McCollum noted that Mount Vernon is “right-sized” to meet increased demand and has flexible production for prompt delivery if and when more business comes its way. The company has capacity for 1.5 million yards a week and currently produces 800,000 yards a week.

“One of the keys to our success and longevity is that our customer base owns their own manufacturing on this side of the world,” he said.

He noted that Mount Vernon has advantages, like owning its own underground aquifer, and it’s also vertical in that it spins its own yarns and dyes and finishes its fabrics. The privately held company also uses natural gas, which helps keep costs down.

Carey said the shame is that with speed to market and manufacturing closer to home being a key sourcing strategy, “It’s very disappointing,” especially with Lenzing in the midst of building a new Tencel plant in Mobile, Alabama.

However, Carey noted there is plenty of North American distribution for the fiber with Mexico and Central America factories, and U.S. yarn and knitwear companies.

The yarn and knitwear end of the business has been where the revival of U.S. textile production has been most felt. Experts note that those businesses have been able to automate their facilities better than woven manufacturing has, and have been able to export more to factories in Central America and the Caribbean for assembly and importing back to the U.S. under preferential trade agreements.

According to the National Council of Textile Organizations, the value of U.S. man-made fiber and filament, textile and apparel shipments totaled \$74.4 billion in 2016, an increase of 11 percent since 2009. Yarns and fabrics led the way with \$30.3 billion in shipments. Investment in fiber, yarn, fabric and other non-apparel textile product manufacturing climbed 75 percent to \$1.7 billion in 2015 from \$960 million in 2009.

The U.S. imported \$3.47 billion worth of blue denim trousers for the year through October, with Mexico and China the leading suppliers, according to the Commerce Department's Office of Textiles & Apparel.

For Van Tucker, chief executive officer of the Nashville Fashion Association (NFA), the irony of the threat of the denim mill sector falling away is the importance of the fabric and jeans made from American culture.

"Nashville is the center of the music world and there's nothing more iconic than denim and music. So, we have some brands, Too Son and Imogene + Willie, for example, that are denim brands.

We have a rich history in denim manufacturing in the area, but we also recognize that denim is facing challenges. We feel like we're in a unique position. Our location is certainly a positive. Our business-friendly environment in this region is a positive. I think there's a great argument for the revitalization of American denim and we want it to happen here. There's an opportunity to innovate in sustainability in denim for new investment."

NFA members like Stony Creek Colors, which grows and makes natural indigo dyes, have an opportunity to carve out a space in the U.S. denim market.

"Denim is quintessentially American, and the opportunity has probably never been greater for us to take a step back and take a look at what the right way to move the industry forward is, and we look forward to being a part of that," Tucker added.

Source: sourcingjournalonline.com- Dec 18, 2017

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Mexico Sets Sights on EU Trade Deal as NAFTA Talks Wane

Mexico will not be left out in the dark if the U.S. decides to call it quits on the North American Free Trade Agreement.

The North American nation that's currently caught up in ongoing—and increasingly grim—NAFTA renegotiations with the U.S. and Canada, has said it could reach a framework for a trade deal with the European Union in the next two weeks.

On Wednesday, Mexican Economy Minister Ildefonso Guajardo told Reuters on the sidelines of the WTO's ministerial meeting in Buenos Aires last week, that the two sides are having technical meetings expected to precede higher-level talks on the EU's turf in Brussels this week.

Guajardo said there's a "possibility, but not a guarantee" of an "agreement in principle" by the end of this year, though that will depend on the Brussels talks and whether the ministers will be able to come together to eke out an agreement.

Whether it shakes out before 2018 or not, Mexico has clearly been working to put its eggs in baskets other than the one belonging to the United States, as NAFTA talks have been tied up largely over U.S. demands to up the input of American raw materials in cars.

Mexico and the EU already have an agreement that has cut tariffs on goods like cars and machinery since 2000, and both sides agreed in 2015 to deepen their trade relationship. If this deal goes forward, it would free up trade in sectors like e-commerce and agriculture. But mostly, it would lessen Mexico's dependence on the U.S.

"The main achievement is strategic and geopolitical. The EU is filling the vacuum left by the U.S. with its unique third-way approach to trade," Alessia Mosca, an Italian lawmaker in the European Parliament told Politico.

Officials briefed on the talks have said an agreement could come as soon as mid-week, provided both sides can reach accord on things like agriculture exports, investment dispute settlement and rules of origin.

Apart from cozying up with the EU on trade, Mexico and Canada have both vowed to keep NAFTA going even if the U.S. bows out, and Mexico has also been in advancing talks with China about a trade deal there too.

The EU has also been expanding its trade relations—the bloc is in talks for a deal with Japan and Canada and has alluded to possible deals with Australia, New Zealand, Malaysia and Mercosur (Argentina, Brazil, Paraguay and Uruguay).

Source: sourcingjournalonline.com- Dec 18, 2017

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Vietnam: Garments and textiles fetch US\$ 31 billion

The VITAS convened a meeting to sum up operation in 2017 on December 15 in Da Nang.

Overseas shipment to the U.S. was US\$ 12.53 billion, representing a year-on-year growth of 9.4%.

The EU imported US\$ 3.7 billion, up 5.4%; followed by Japan with US\$ 3.05 billion (up 5.2%); the Republic of Korea with US\$ 2.59 billion (up 13.2%); China with US\$ 1.04 billion (up 26%); and ASEAN with US\$ 900 million, up 9.1%.

In 2017, eight key exports gained over US\$ 1 billion of turnover including T-shirt, jacket, trousers, children clothes, skirts, underwear, and clothes.

Addressing the conference, Deputy Minister of Industry and Trade praised the achievements of the sector.

He was optimistic that newly signed trade agreements would promote trade activities and broaden markets for the sector.

Source: chinhphu.vn- Dec 18, 2017

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Pakistan: Exporters urge relaxation in duties on yarn imports

Garment exporters on Monday appealed the authorities concerned to relax duties on yarn imports to encourage value addition, reduce the cost of doing business and bridge the gap between production and consumption.

The government is all set to withdraw sales tax and Customs duty on cotton imports on the demand of the spinning industry, setting aside the interest of growers and ginners, they said.

Pakistan Readymade Garments Manufacturers and Exporters Association (Prgmea) Chief Coordinator Ijaz Khokhar urged the Textile Division to submit the summary to the Economic Coordination Committee (ECC) of the Cabinet for duty relaxation on yarn imports in line with the benefits being provided to the spinners.

“With a view to bridge the soaring gap of trade deficit, the government will have to provide a level-playing field to the whole textile chain instead of supporting only yarn manufacturers, which have just around 350 units, against the value-added sector of 10,000 units across the country.”

With regard to employment generation, one spinning unit generates just five percent employment, while garment unit creates 95 percent employment, he added.

Khokhar said that despite the fact that around 1.86 million cotton bales are in stock in the country, but the government is going to facilitate the spinning industry on the plea that domestic cotton is of short staple.

It will have to remove restrictions on yarn imports also under the same plea, he said.

Since the apparel sector already had a very limited production line, owing to the lack of latest fabric varieties at local level, harsh duties are resulting in significant decline in apparel exports, Khokhar said.

The Prgmea chief coordinator said apparel industry was already suffering with the low productivity due to shortage of cotton yarn, high energy cost, and discriminating import duties on the industry's raw material.

“The high quality cotton yarn has to be imported for production for high value-added finished products,” he added.

The provision of competitively priced quality cotton yarn to the value-added textile industry is the basic foundation on which export competitiveness is built, he said, adding that the apparel sector, mostly consists of small and medium units, strongly oppose any regulatory duty imposed on yarn imports and also strongly oppose any barrier on the import of fabric for garments export under free market economy.

The value-added textile sector is not against the spinning sector, but it wants that the entire textile chain should be safeguarded because the sector faces a tough competition with regional competitors such as Bangladesh, China and India.

Pakistan Readymade Garments Manufacturers and Exporters Association, being one of the major value-added stakeholders, is playing a pivotal role in bringing the foreign exchange to the country, he added.

Source: thenews.com.pk- Dec 19, 2017

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China, ROK actively preparing for free trade agreement talks: official

China and the Republic of Korea (ROK) are preparing for the second round of talks on a bilateral free trade agreement (FTA) that has been effective for nearly two years and generated mutual benefits.

The negotiations, which are under active preparation, will be focused on services and investment, and will result in a negative list, said Gao Feng, spokesperson for the Chinese Ministry of Commerce, at a press conference held in Beijing Thursday.

"China is willing to expand economic and trade cooperation with the ROK to jointly build and advance reciprocal bilateral ties," Gao said.

Taking effect at the end of 2015, the China-ROK FTA was designed to boost trade and bolster economic growth amid a lackluster global recovery and

rising protectionism. The two sides have carried out three waves of tax reductions.

So far, there have been 63,000 ROK-funded projects in China and more than 71.6 billion U.S. dollars of investment by ROK businesses.

The two countries still have huge potential in collaboration under the Belt and Road Initiative, trade facilitation and industrial capacity, Gao said.

Source: ecns.cn- Dec 16, 2017

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Bangladesh: Govt to revive 13 textiles mills under PPP

The government has decided to restart 13 textiles mills that were shutdown 25 years ago due to huge losses and run them under a public-private partnership (PP) initiative, according to an official of the Ministry of Textiles and Jute.

The official said this would be the textile sector's largest project, with Tk15,200 crore set to be allocated to purchase new machineries, to replace the existing ones, to run these mills.

The project will also ensure proper use of 380.47 acres of land allocated for the sector, said the official, adding that the land currently has a value of Tk1,592 crore.

The proposal of Bangladesh Textile Mills Corporation (BTMC), which works under the ministry, to restart the 13 mills would be placed before the Cabinet Committee on Economic Affairs on Wednesday.

State Minister for Textiles and Jute Mirza Azam told the Dhaka Tribune: "Our textiles industry will stand on its feet again now that we have taken the initiative to revive the mills under PPP."

He said the ministry has already completed the process to restart three of the mills.

The 13 mills up for overhaul are – RR Textile Mill, Amin Jute and Textile Mills and The Asiatic Cotton Mill in Chittagong; Rangamati Textile Mill at Ghagra, Rangamati; Magura Textile Mill in Magura; Bengal Textile Mill at Noapara, Jessore; Rajshahi Textile Mill at Sapura, Rajshahi; Sundarban Textile Mill in Satkhira; Dinajpur Textile Mill and Jalil Textile Mill in Dinajpur; Darwani Textile Mill in Nipharmari; Dost Textile Mill at Ranirhat, Feni; and Afsar Cotton Mill at Savar, Dhaka.

According to the proposal, the PPP's duration will be 30 years, but could be renewed. Bangladesh Jute Mills Corporation will be the major partner of the PPP while rest of the shares will go to private parties.

It says the private parties will implement the project, maintain the mills and market the textile products. Of the 86 state-owned textile mills, BTMC handed over 60 mills to the Privatisation Commission between 1977 and 2013, and runs 24 factories across the country at present.

A little over one year ago, the government had taken another initiative backed by Chinese funding to modernise 24 state-owned jute mills, with the expectation of yielding an annual net profit of around Tk975.8 crore and create 24,000 new jobs.

The jute mills have been incurring losses for several years now, and in FY2015-16 alone their losses amounted to Tk588 crore.

Source: dhakatribune.com - Dec 18, 2017

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Pakistan, Brazil agree to deepen economic ties

Pakistan and Brazil have moved forward in deepening relations in all fields especially in commerce and trade, as number of MoUs and agreements have already been signed between the two countries, said Federal Commerce Secretary Mohammad Younus Dagha.

Expressing satisfaction at the outcome of his substantial and meaningful meetings with the high government officials of Brazil, Dagha stated that both sides have looked into ways and means to increase bilateral trade and investment for the mutual benefit of peoples of both the countries.

Bilateral trade between Pakistan and Brazil has increased over the last four years by 100 percent from \$225m in 2013-14 to \$449m in 2016-17. Presently, Pakistan has a negative trade balance with Brazil amounting to - \$359m in FY17 with exports of \$44.5m and imports of \$404m.

Pakistan's main exports to Brazil are in articles of apparel, home textiles, surgical goods, cotton fabrics and yarn, articles of cutlery and sports goods whereas Pakistan's main imports are in soybeans, raw cotton, iron and steel, soybean oil and machinery.

On 14 December, in Brasilia, Secretary General Marcos Galvao warmly received secretary commerce at the Brazilian Foreign Office. Terming the visit of secretary commerce as "timely", the secretary general hoped for frequent high level interaction between the two countries. Both sides reviewed bilateral relations in all fields especially in the trade and investment domains.

Referring to the ongoing cooperation between the two friendly countries, the need for early finalization of bilateral agreements such as Agreement on Technical Cooperation and establishment of Joint Commission was emphasized.

Dagha also underlined the importance of early start of negotiation on Pakistan's PTA with MERCOSUR. Secretary general stated that MERCOSUR partners could appropriately engage Pakistan as the Forum was now looking forward to interact with countries outside South America to promote trade and investment relations.

In his meeting with Undersecretary General Ambassador Santiago Mourao, the two sides took stock of matters concerning technical cooperation, trade and investment while exploring ways and means to further deepen cooperation between the two countries.

The need to have productive and synergized interaction in providing a framework to private sector for enhancing bilateral trade and economic relations was emphasized.

During meeting with his counterpart from the Brazilian Ministry of Mines and Energy, Paulo Pedrosa, Pakistan's commerce secretary offered profitable and secured investment to Brazilian businessmen in Pakistan.

Various investment opportunities available in the energy sector, ranging from generation, transmission to exploitation of sources of clean renewable energy were also discussed. Both sides also agreed to collaborate closely in mines and energy sectors; learn from each other's experiences; share technological expertise; and, explore possibility of investment in relevant sectors.

Pakistan's Ambassador to Brazil Najam us Saqib accompanied the Secretary Commerce in all his official engagements with the high officials of the government of Brazil . The first ever official visit of secretary commerce of Pakistan to Brazil provided an opportunity for both countries to discuss and review bilateral relations in all fields.

Source: nation.com.pk - Dec 19, 2017

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No call yet on sanctions on Cambodian garments: EU envoy

The European Union (EU) ambassador to Cambodia George Edgar has assured National Union Alliance Chamber of Cambodia (NUACC) president Som Aun that no decision on garment sector sanctions has been taken. Former opposition leader Sam Rainsy and civil society groups called for such sanctions after the Cambodia National Rescue Party was dissolved last month.

In a recent meeting with the EU ambassador, Aun requested him not to involve workers in the country's political issues, according to Cambodian media reports.

Edgar assured to convey the unions' requests and concerns to EU headquarters in Brussels.

The Garment Manufacturers Association in Cambodia had earlier called on international buyers to continue ordering clothes and textile products made in the country over fears that the United States and the EU could halt preferential treatment for Cambodian exports.

Three union leaders also sent petitions to the EU and US ambassadors requesting for orders to continue as usual.

Source: fibre2fashion.com- Dec 19, 2017

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H&M sales increases 4% in 2017

The H&M group's sales including VAT increased by 4 per cent to SEK 231,744 million (222,865) in the financial year 2017 that ended November 30. Sales excluding VAT amounted to SEK 199,987 million (192,267). In local currencies, sales went up 3 per cent. The group continued to grow during the year, however, sales development in Q4 was low below expectations.

In the fourth quarter of 2017, sales including VAT amounted to SEK 58,454 million (61,098). Sales excluding VAT amounted to SEK 50,390 million (52,720), a decrease of 4 per cent compared to the corresponding quarter last year. In local currencies, sales decreased by 2 per cent.

"The H&M brand's online sales and sales of the group's other brands continued to develop well. Meanwhile, the fourth quarter was weak for the H&M brand's physical stores, which were negatively affected by a continued challenging market situation with reduced footfall to stores due to the ongoing shift in the industry.

In addition, there have been imbalances in parts of the H&M brand's assortment composition. In order to correct this, a number of actions have been taken. Moreover, the management team of the H&M brand has recently been strengthened," Karl-Johan Persson, CEO, said.

"In order to respond even quicker to customers' fast-changing behaviour the company's ongoing transformation journey is being accelerated. Among other things, this includes continued integration of the physical and digital stores, and intensifying the optimisation of the H&M brand's store portfolio – leading to more store closures and fewer openings," concluded Persson.

Source: fibre2fashion.com- Dec 19, 2017

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Vietnam prepares to take advantage of new CPTPP agreement

After the US withdrew from the Trans-Pacific Partnership agreement, Ministers of 11 TPP members reached an agreement on a new deal called Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Vietnam expects to benefit from the new agreement once it takes effect. Vietnam may not gain much from CPTPP, when compared to the original agreement but analyst say the new deal will open up significant opportunities for the country to cooperate with the world's leading economies. It can expand export markets with Canada, Mexico, Peru and Chile — with whom Vietnam has not signed trade agreements. Vietnam's garments, leather and footwear exports and several other labour-intensive industries are forecast to increase.

Nguyen Dinh Cung, Director of the Central Institute for Economic Management (CIEM), is positive, "It's obvious that without the US there will be fewer advantages. But Vietnam still can penetrate major markets like Japan, its 5th biggest trading partner and 3rd biggest investor and Australia, a potentially strong market for Vietnam's farm produce."

Economist Vo Tri Thanh is of the view that the deal will be favourable to a state governed by law with a transparent investment and business environment and a driving force for development. "20 of about 50 clauses of the initial TPP agreement are temporarily frozen. Under the CPTPP agreement, quality must be ensured and attached to the reform of institutions and policies, the most important factors in boosting growth quality and promoting inclusive growth," He said.

The TPP is estimated to cover 40 per cent of world's GDP and 30 per cent of global trade, the CPTPP will cover only 14 per cent of world GDP and 17 per cent of global trade. But the challenges Vietnam will face will be the same.

Source: fashionatingworld.com- Dec 18, 2017

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NATIONAL NEWS

ASEAN free trade pact: House panel calls for better access to Indian goods

The Department of Commerce should furnish a note on the assessment of the working of India-ASEAN trade in goods agreement and seek better market access for goods in order to have more balanced trade, a Parliamentary Standing Committee on Commerce on 'Trade with ASEAN countries' has recommended.

The report, presented to the Rajya Sabha on Monday, by the Parliamentary Committee headed by Naresh Gujral, points out that a number of items including farm products, textiles, leather and steel have been adversely affected due to the provisions of the agreement.

The India-ASEAN Trade in Goods Agreement came into force on January 1, 2010.

The report pointed out that better market access in terms of higher export has not materialised for India and this was a matter of concern.

"The Committee is of the view that if this approach or argument is subscribed, then there was no need for the trade agreement with ASEAN....various trade instruments/agreements must aim towards better market access," it said.

The Commerce Department may look into the cause of huge trade deficit with Indonesia and review the existing trade policy framework in respect of the country, the report said.

Trade with CLMV countries (Cambodia, Lao PDR, Myanmar and Vietnam) is also not at desired level, it added.

"The Committee desires that the Department may engage the ASEAN member States for giving better market access to Indian goods where we have an edge over them like leather goods and pharmaceuticals, so that trade balance improves," it said.

Concern over farm exports

On the decline in exports of agriculture commodities to the ASEAN, the Committee said that it was a matter of concern and should be dealt with strictly.

“The Committee desires that value addition of primary agricultural products may be promoted and commodities enjoying comparative advantage in ASEAN countries may be identified and market access at zero duty may be sought for our farmers and agro-processors,” the report stated.

Stating that it finds disconcerting that the steel industry has been put to a disadvantage by the India ASEAN pact, report proposed that reciprocity in tariff reduction/elimination by ASEAN countries on Indian steel products should be ensured on account of broad and sweeping market access given by India.

The Committee also recommended that the Commerce Department should be vigilant over the safeguard measures imposed by the ASEAN countries on textile exports since it directly affected the country’s exports.

Source: thehindubusinessline.com- Dec 19, 2017

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GST — the untold story

Mahatma Gandhi said, “There are unjust laws as there are unjust men.”

A study would show that our country’s GST is not merely unjust but one that would generate immense problems. This has been ushered in through indoctrinating claims, screaming praise, as if it were a holy cow and a panacea for all ills (reminiscent of similar drama enacted when Modvat and VAT were introduced).

On the shocking claim that GST has been ‘adopted’ by more than 100 countries and that India should not be ‘left behind’, our GST creators may answer the following ten questions:

How many ‘GST countries’ have such huge tariffs as ours (1500 pages, with highly technical entries, ‘Section Notes’, ‘Chapter Notes’ and notifications)? This tariff is even more complex than HSN, which was evolved primarily for trade statistics, while our tariff is for classification.

Are the GST Act and Rules in other countries also as painful as ours (174 Sections and 161 Rules)? There are more than 150 formats and 37 monthly returns and as many as 1,332 yearly returns, as stated by two members of our own GST Council. Do other countries necessitate the herculean task of matching purchase invoice with supply invoice and executing bonds?

How many such countries have elaborate processes of Show Cause Notices / fruitless appellate ‘remedies’, where the department files an appeal even against the order of its own official?

Which countries have intimidating provisions, as in our GST, for seizure, arrest, prosecution, demanding tax, even after the normal time-limit, alleging ‘suppression of facts, fraud and collusion’, (highly arbitrary and discretionary), besides rejecting refunds, citing ‘unjust enrichment’.

Amusing ‘services’

Do other countries also list innumerable ‘services’, as our GST does, roping in almost all imaginable human activities? Amusingly shocking entries include — ‘gambling and betting services’, ‘slaughtering animals’, ‘animal husbandry’, ‘sperm banking’, ‘bicycle repairing’, ‘cremation, funeral’, ‘demolition’, ‘pension Services’, ‘lottery’, ‘pressing’, ‘ritual ceremonies’, ‘agreeing to do/refrain from/tolerate an act or service’, ‘sanitation’, ‘septic tank cleaning’, ‘chimney cleaning’, ‘bathrooms/lavatories/urinals’, ‘circus’, ‘birth certificate issue’ and many more.

Do others also have our complex concepts as ‘job-work’, TDS, ECO, TCS, Pure Services, EPZ, SEZ, Loan Licensee, Transitional/ Deemed Credit, ‘Advance Ruling’ and the ‘Common Portal’? Are there huge pendency of refund claims (including on exports) in other countries also?

What about our tortuous auditing processes — internal, ‘special’ and that of the C&AG, with objections (right or wrong), generating innumerable show-cause notices and endless uncertainty and harassment?

Do such concepts even exist elsewhere — ‘Reverse Charge’, ‘Composition Scheme’ (with its inevitable fragmentation of units), besides the draconian and impractical ‘anti-profiteering’?

Do such ‘GST countries’ have multiple taxes within GST itself (CGST, SGST/UTGST, IGST and Cess), besides also many other taxes of the Centre and States? Do not these and the multiple rates (from 0% to 28% and even higher) go against the very principle of VAT and GST? Do these also not demolish the claim of ‘One Nation, One Tax, One Market’?

Perhaps, the term ‘One Tax’ is only to convey that now there would be just one tax rate for the same goods in different States. In this regard, one may ask, “What is wrong if differences exist in our federal setup, given the varied nature of manufacture and trade from State to State”?

As our Constitution itself provides for Central, State and Concurrent Lists, a healthy ‘tax-war’ can happily coexist with a healthy ‘price-war’ and competition.

Regarding ‘One Market’, the very concept is utopian because prices vary even within a town, not to speak of a vast country. Not just tax rates, but various capricious market forces also determine the ultimate price.

Jargon, myths

Preposterous also is the proclamation that GST would bring down prices by obviating ‘duty on duty’ and ‘cascading effect’ — jargon and myths often used even during the Modvat and VAT days. After all, just tax credit accumulated is adjusted. At best, the assessee is left with a mere ‘intellectual’, though illusory ‘satisfaction’ that he has got some credit.

India is ranked 100 in the recent World Bank’s ease of doing business report. This sorry state is due to ill-conceived policies and legislation, such as GST. Enterprise in business is, consequently, nipped in the bud.

Indeed, there are unjust laws, as there are unjust men!

Source: thehindu.com- Dec 18, 2017

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India to Host Meeting of 30-40 WTO Members in February

Commerce and Industry Minister Suresh Prabhu on Monday said India will host a meeting of about 40 WTO members in February to muster support for food security and other issues.

"We are trying to call a meeting of almost 30-40 countries (WTO ministerial) in Delhi in February just to help multi-lateral process," Prabhu said here at an event organised by Apparel Export Promotion Council (AEPC).

He, however, did not give details of the meeting. The proposed meeting would be in the backdrop of developed nations forming groupings to prepare ground for pushing investment facilitation, preparing rules for e-commerce, promoting gender equality and reducing subsidy on fisheries with a view to curbing illegal, unreported and unregulated fishing.

India has been keenly pushing agriculture issues at the World Trade Organisation (WTO). It has also been raising its voice against bringing new issues, especially those which are not directly linked to trade, on the negotiating table.

On Free Trade Agreement (FTA) with European Union, Prabhu said, he had meeting with the EU minister to discuss various issues.

"When we talk of FTA there is always trade-offs...as a country we have to find how trade-off can benefit us," he said.

EU is great market for India for garments, which is employment generating sector, the minister said, adding that the government is preparing a standard operating procedure for any new FTA to be entered.

Besides EU, he said, India is also in discussion with Canada and Australia for the FTA.

Speaking at the same event, Textile Minister Smriti Irani said the department will do a lot in the coming year for the sector.

She said skilling is another focus for the government and assured all support to garment manufacturer.

Source: news18.com- Dec 18, 2017

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Pink bollworm may lead to lower cotton output in India

The recent pink bollworm incidence in certain cotton growing regions suggest that cotton production in India may be lower than the earlier forecast, according to the Mumbai office of the Foreign Agricultural Service (FAS) of the US department of agriculture. For marketing year (MY) 2017-18, FAS Mumbai forecast cotton production at 29.8 million 480 lb bales.

The revised forecast translates to 38.16 million bales of 170 kg on acreage of 12.3 million hectares. The FAS Mumbai forecast is 200,000 480 lb bales lower than USDA official estimate.

This is due to the recent untimely rains and pest infestation issues in Telangana and Andhra Pradesh, which suggest lowering production. The all India yield is expected to be around 528 kg per hectare.

In Telangana, first pickings are over, but farmers are not rushing to the market to deliver seed cotton due to low market prices. Seed cotton prices in the wholesale market yards in Telangana are staying close to minimum support price (MSP) rates.

“However, much of the cotton is discounted due to poor quality issues like discolouration and high moisture content,” FAS Mumbai said in its Global Agricultural Information Network (GAIN) report released this month.

Further, there was high incidence of pink bollworm and sucking pests for the first picking in certain districts in Telangana. However, there seem to be limited issues with quality in the standing crop ready for the second picking.

In Andhra Pradesh, the government has issued advisories to install pheromone traps to monitor the incidence of pink bollworm along with the spraying of insecticides. A similar advisory was issued in northern Telangana.

According to the report, the higher incidences of pink bollworm infestations are due to a number of reasons ranging from “resistance of bollworm to Bt toxins, use of spurious and/or unapproved seeds by farmers, limited or poor planting of refugia non-Bt cotton, cultivation of long duration hybrids which provides continuous food for the pest, poor integrated pest management practices, and storage of damaged cotton at gins and market yards.”

As a result, while acreage in Telangana has increased significantly from last year, the yield is estimated lower at 492 kg per hectare.

In Maharashtra, too, “trade sources indicate widespread reports of pink bollworm infestations (even after the third picking), but there are no official reports on the extent of the damage.”

In Gujarat, cotton picking is underway with no pest or infestation issues reported. In Karnataka, the bolls are mature and the first picking of seed cotton in late sown crop, and second picking of early sown crop is in progress.

In Tamil Nadu, the crop is at squaring and vegetative stages, and government advisories indicate farmers are to provide adequate drainage in rain-fed and irrigated crops in order to prevent water standing.

All India arrivals as of November 27, 2017, are reported at 6.5 million 480 lb. bales (8.3 million 170 kg bales/ 1.4 mmt) which is roughly 22 per cent of the forecast crop. Arrivals last year were around 13 per cent of the estimated crop on a much smaller overall crop size.

Source: fibre2fashion.com- Dec 19, 2017

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Madhya Pradesh to train 10,000 candidates in textile sector

To provide training to people in the textile sector under the Mukhya Mantri Kaushalya Yojana (MMKY), the Madhya Pradesh State Skill Development Mission (MPSSDM) has signed an MoU with the National Institute of Fashion Technology (NIFT), Bhopal.

The MoU would provide exclusive rights to NIFT for training. As per the scheme, training will be given to around 10,000 candidates in collaboration with several industries.

The practical training would lead to recruitment of at least 70 per cent of those who passed. The trainees will get 4 grade certificate from the ministry of skill development and entrepreneurship.

Training would be given in 10 to 12 courses as per industry's needs. Four courses related to spinning have been identified. State domicile and Class 8th pass out certificates are required for training. The one-month training programme would induct students on batch-basis and each batch will include 30 applicants.

Source: fashionatingworld.com- Dec 18, 2017

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Apparel Export Promotion Council asks government to reduce GST rates

Apparel Export Promotion Council (AEPC) on Monday urged textile minister Smriti Irani and commerce and industry minister Suresh Prabhu to reduce the new rates fixed under the GST regime.

Speaking at an event organised by AEPC here on Monday, AEPC chairman Ashok G Rajani said that exporters are not getting incentives under Remission of State Levies (RoSL).

Earlier, the industry used to receive RoSL of 11.30 per cent but now it has come down to 6.5 per cent.

Exporters are also facing a crisis in shipping their products abroad, especially in European Union. The EU levies a 12 per cent duty on Indian cotton while Bangladeshi and Vietnamese cotton are exempt from any duties.

Echoing the concern faced by the sector, Amitabh Kant, CEO of Niti Aayog, said, “It’s high time to reduce import duties and custom on raw material.” New rates under GST are 5 per cent, 12 per cent and 18 per cent on textile-related products, which earlier attracted no duties.

Kant also urged the ministers to come up with new GST rates for fibres to support the sector as it is one of the largest providers of employment.

The ministers, however, said there are legacy issues with the textile ministry.

“We are working on solving all the issues prevailing in the industry,” said Irani, adding that the ministry would work on every plight of the sector. Prabhu said the government was working on finding new markets for the domestically produced cotton.

Source: newindianexpress.com- Dec 19, 2017

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Big shops, small towns

With standard business coming in from metros, high-street fashion brands are looking for greener pastures in non-metros. So far, the move seems to be paying off, but there is still a long road ahead

It is a great time to be a consumer given that every time you access the internet, there is some sale to be excited about, some discount that makes the product seem worth it or some brand you wish opened up a store near where you are — something you probably only might have online access to at the moment.

When earlier, consumers were fit into a passive role for the longest time wishing they had easier access to a brand, thanks to digital and social media, they now are able to provide feedback and suggest areas/cities where they would like brands to have a presence.

And brands are listening. Not to discount the fact that brands still would have done it keeping their expansion plans in mind, but it helps if the demand is in place too.

Remember the frenzied crowd pumped about store openings of, say, Zara or H&M in India? Fashion (apparel and footwear) is projected to grow at a CAGR of 13% from 2015 till 2020 as per EY's India's Growth Paradigm report. IBEF's Retail Industry in India informs that the country's retail market is expected to grow at a CAGR of 10% to touch \$1.6 trillion by 2026. For brands, this means tapping not only metros, but also the large population of aspirational consumers in smaller towns and cities.

Small town story

H&M currently operates 29 stores across 12 cities in India — New Delhi, Mumbai, Bengaluru, Hyderabad, Pune, Kolkata, Amritsar, Indore, Coimbatore, Chennai, Raipur and Mohali. To boost its Raipur store opening, the brand ran an inaugural offer encouraging consumers to make purchases worth Rs 3,500 and get Rs 500 back in the form of a gift card.

A similar strategy was adopted for the Ghaziabad store launch. According to company officials, the Q3 results for H&M India were to the tune of Rs 700 crore. It now plans to start selling online in 2018. Also, consider Marks & Spencer which has 61 stores across 27 cities in India; this is not counting the edit stores (focussing on menswear, lingerie and beauty), which have a smaller footprint.

Marks & Spencer Reliance India currently has 19 stores in tier II cities. These markets are estimated to ring in a fifth of total sales for the brand in 2017-18. The brand also has a big play through online marketplaces like Amazon, Ajio and Myntra, with them contributing 44% to online sales. To reach its customers in tier II cities, the brand uses print and outdoor advertising, in addition to conducting activations in stores in the key footfall areas or inside a mall.

Mohit Bhayana, head of retail for the brand shares, “We find that each market operates very differently, so we are required to ensure that we adapt our offer to reflect each market. For example, M&S Kochi offers 15% more menswear lines to reflect 42% menswear sales. We also ensure that we have linen on offer all year-round given the climatic conditions.”

Forever 21 (under Aditya Birla Fashion and Retail) has 20 stores across tier I and tier II cities and has recently opened its 21st store in Indore. The brand counts 18-24 year-olds as its core consumer segment, with 25-34 years forming the secondary target group.

The brand recently conducted a six-city tour as a promotional activation, which allowed consumers to interact with YouTube celebrity Vidya Vox. Each city concert was preceded by a fashion show by Forever 21 showcasing its latest collection, in stores.

Rahul Jhamb, brand head, Forever 21, shares that with the economical surge in tier II cities, the focus is on emerging fashion markets. “As far as non-metros are concerned, we are evaluating the key markets of India carefully in terms of their fashion readiness for the fast fashion western wear segment and then making strategic decisions to open stores,” he adds. The enthusiasm for non-metros is not without reason.

According to Kotak Wealth Management’s The Indian Ultra HNI: Optimism Uninterrupted, smaller cities are playing a considerable role in the growth of the number of ultra HNIs. This is good news for luxury retail brands, among others, looking at non-metros for expansion.

EY’s report also finds a new class of cities defined by their rising cumulative household income. As per the report, the top 10 untapped markets are cities like Jaipur, Jamshedpur, Kota, Mysore, Nagpur, Raipur, Trivandrum, Vadodara, Vijayawada and Vizag.

Facing the roadblocks

While in apparel, the skew in terms of growth is in favour of men, consumption by women is fast catching up. Avendus Capital’s Women’s Apparel: Landscape in India finds the market share of the top 10 cities is set to decline from 45% to 30% in the next seven years to a decade, as compared to the other tier I and II cities.

As the top cities move towards saturation levels, tier II cities provide brands with consumers that have a high discretionary spending capability and an increasing consciousness towards fashion.

Currently, as per estimates, the top 10 cities account for almost 70% of the branded apparel sales. This enthusiasm for expansion is also due to certain constraints that exist in tier I cities, among which feature the lack of available space in malls, increasing rental and land prices being contributing factors.

Alagu Balaraman, partner and MD, CGN & Associates, notes that urban migration is not restricted to the first seven metros anymore, and that tier II and tier III cities are clocking a GDP growth exceeding the national average and higher than metros.

He adds, “E-commerce may be small in total volume compared to all retail, but these cities already account for around 50% of sales. Most new customers are from smaller cities and rural areas.” The challenge here is to get a strong understanding of consumer preferences in terms of style and design, in addition to getting the pricing right.

Amit Gugnani, SVP fashion — textiles and apparel, and engineering, Technopak, further elaborates that it isn’t merely about setting up shop in a tier II city and expecting revenues.

“Development in tier II and III cities is challenging as the target audience is in the process of changing their buying and consumption patterns,” he says. “They have a strong value-for- money orientation and a more conservative financial outlook as there is a fine line between what they aspire for and the price they are willing to pay for their aspirations.”

Source: financialexpress.com- Dec 19, 2017

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Is 'Skills India' losing steam?

For Kishor Kher, founder and president of the Mumbai-based NGO Kherwadi Social Welfare Association (KSWA), it does not pay to work with the government. Quite literally. KSWA runs skill development workshops – called Yuva Parivartan – for school and college dropouts in 18 States. The NGO used to sometimes bid for government tenders to conduct these programmes as part of the Skill India mission.

“Two to three years ago, we trained 6,000-7,000 students a year in collaboration with the National Skill Development Council [NSDC],” he said. “Now, we take on fewer than 1,000 students a year.”

“It’s not that the programme or the curriculum is bad, just that there it becomes very difficult for us to collect payments from the government,” said Kher. If a centre ties up with NSDC, the skills ministry reimburses the centre the costs involved in getting together a batch of students and training them in a list of pre-approved skills. But the costs are reimbursed only if the partner can prove that a course graduate has earned a job.

“The government has a lot of money to fund skill-development activities. But one of the reasons we no longer partner as frequently with the government or bid for tenders is because it’s difficult to prove that a graduate has a formal job after the training is complete. More than 92 per cent of the workforce is in the unorganised sector with no proof of employment.”

BusinessLine visited one of KSWA’s more remote training centres, in Gadchiroli, a primarily tribal district in the far reaches of eastern Maharashtra, inaccessible, and in some parts, still controlled by Naxals. The NGO’s Livelihood Development Centre here is a modest six-room institute for vocational training for the local youngsters. The centre conducts courses in sewing, basic computer skills and data entry and for nursing assistants.

Release from backwardness

Jhanvi Suresh Khobragadeis well turned out in a neat plait and a prim cotton sari. Once she has she warmed up to our conversation, the 32-year-old leans forward, her intelligent gray eyes earnest as she makes her point.

“For 10years of marriage, I was just sitting at home. That’s a waste of my mind. We need to keep our minds occupied and we’re responsible for our own growth. These sewing classes give me something worth doing.”

Jhanvi’s husband is a driver at the local BSNL office. They have a four-year-old son, and Jhanvi works her class schedule around his school timings. After a few weeks of class, Jhanvi convinced her husband to buy a sewing machine. “Now, after they go to sleep, I sew for a couple of hours. If I find something difficult, I bring it to class the next day to ask Madhuri ma’am and she helps me get it right.”

She has her plans laid out. “I plan to work from home, take orders from neighbours to stitch their sari blouses, or a salwar suit. And I can also go back to my village and teach some girls, make more money that way.”

The centre, which trains 700-800 students a year, is a refuge for youngsters tired of naxal activity in their villages. Some of its students in the past had joined the naxal movement and then returned to the mainstream. On the other hand, 19-year-old Darshana Andrageda, sees her training in the town here as the only means for escape from her family’s life in Jarawandi, a village overrun by left-wing extremists. “My father is in the police in Jarawandi. My parents wanted me to leave and come here; I’ve learnt typing and data entry and now I’m taking the sewing classes. Once I finish this (the course runs for 3 months), I’ll look for a job here in Gadchiroli. I don’t ever want to go back to the jungle.”

Clearly, there’s a desperate need for building skills in these regions and giving people, mostly young and overwhelmingly women, the opportunity to find work. The 2017 annual report by the Skill Development Ministry estimates that in 2017-2022, the economy will need 12.68-crore people added to the skilled labour force, mostly in construction, retail, beauty, automotive, tourism and the capital goods sectors.

But it’s slowly unravelling. But while the intention is right, the government’s efforts with Skill India, partnering with trainers such as KSWA, are not working out.

“We have to conduct exams at the end of every course. For the NSDC courses, sometimes the exams are conducted months after the course is complete,” said Vilas Kamble, Regional Manager for Gadchiroli at KSWA.

“It’s difficult to make the students come back to take the exam. And the last few times we had the exam, the question paper was in English and Hindi but our students are only comfortable in Marathi.” Kher said that it just becomes so much easier to rely on donations and sponsorships to keep the NGO’s work going instead of bidding for a government tender, and then chasing down the funding, which may or may not come through even a year later.

Breaking out

The NGO isn’t the only example of implementation going awry. Several training partners that *BusinessLine* contacted were not running NSDC-approved courses. Rajshri Kapure, who oversees the Skill Development and Training Institute in Nashik, another NSDC training partner, said their only government programme currently being conducted was a two-day-long re-skilling course for certified opticians. Nagpur-based Western Coalfields Ltd (WCL), a subsidiary of the public sector miner Coal India Ltd, runs 10 training centres in Maharashtra and Madhya Pradesh, to essentially build skills of its employees and mine workers.

From November 2016, WCL trained 2,765 employees under NSDC programmes for jobs such as mechanics, dumper operators, drillers and support services. Sanjay Kumar, Director - Personnel, WCL Nagpur, told *BusinessLine*: “NSDC has been associated with us for only three months last fiscal for limited programmes. On our own [through CSR], we do much more.”

Ritesh Agarwal, Founder and CEO of budget hotel aggregator OYO, said the company entered into an MoU with the Tourism and Hospitality Skill Council in November 2015. The company set up the OYO Skill Institute (OSI), in Gurugram, to participate in government projects that would train out-of-work youth in hospitality functions such as housekeeping, front office, kitchen operations and guest service. In the last 18 months, though, the number of such government programmes that it has partnered with the government has trickled down.

OYO now runs OSI as a business arm. “In just over a year, OSI has trained 1,500 people across different roles. More than 70 per cent of graduates have been absorbed at OYO. We have expanded to 12 cities, with 28 trainers, eight managers and over 300 trainees per month. Besides OYO,

OSI-trained workforce has been hired by hotels, dine-in restaurants, quick service restaurants, hospitals and corporate offices, with starting salaries in the range of ₹8,000-12,000 per month depending on the role and function.”

Inappropriate targets

It could be the government’s misguided emphasis on wage employment – getting formal sector jobs – that led to the extremely low placement percentages that various sector skill councils reported to the Sharda Prasad committee in December 2016, which reviewed the Skill India programme. While the NSDC and its partners provided vocational training to around 6 lakh till September, only about 12 per cent of those have been reported to have jobs. The Comptroller and Auditor General pulled up the NSDC in 2015 because the training partners failed to meet placement targets. The Ministry for Skill Development and Entrepreneurship spent over ₹955 crore in FY17 on the skilling mission; it has a similar budget allocation for FY18.

Arunkumar Pillai, Partner – Skill Development, EY, said that as of now, counting the number of trainees with jobs at the end of a programme is the only metric available to measure the programme's success. On this measure there is lot to be done. “The Skill India programme has gone through three iterations now. In the last year and half, the government has brought more quality focus into this initiative with many of the non-serious players being weeded out. There are still several process-related issues that governments across the country are trying to solve, like with timely payments. NSDC has roped in IBM to improve the skill development management and monitoring IT system.”

The government has been consulting with EY on various skill development programmes. “What needs to be achieved is closer collaboration between the industry and training companies on which skills are required in say, a certain region, and how we can go about training locals in those skills if they are willing.” He means that if a district is an auto industry cluster, then the industry needs a platform to communicate the need for skilled workers to local training partners. Today, industry talks to manpower agents, who bring in unskilled or semi-skilled workers. Such platforms, whether digital or not can be facilitated by the government. “But this chain is not seamless yet,” said Pillai.

“In rural areas, technology could be an enabler. We could get micro-entrepreneurs in services – such as plumbers or electricians – connected to an online/mobile platform and use their services for rural projects for electrification or sanitation. This could also be a measure for employment, not merely wage employment. Some State governments have initiated this, but not effectively executed it. The skills ministry has begun linking the skilling mission with the Mudra loan scheme to give trainees banking and marketing linkage.”

“But this needs providing them extensive handholding even after the training programme has been wrapped up,” Pillai added.

All of them – NGOs, for-profit institutes and corporates – recognise the need to build a skilled workforce within their respective sectors. With the majority not enthused by the government’s attempts to bring it all together under the Skill India umbrella, to provide adequate funding, valid certification and the jobs, they’re finding other roads to the same result – through donations, CSR activity or by running training programmes for profit.

If Skills India continues without addressing issues faced by implementation partners, it may well end up as another high-profile government scheme turning into a damp squib.

Source: thehindubusinessline.com- Dec 19, 2017

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GST implementation: How the e-way bill can create complications for transporters

One of the great promises of the Goods and Services Tax (GST), which was rolled out from July 1 this year, was that it would greatly simplify tax compliance, bring every state in the country under the same tax, and thus reduce the incentive to do cross border shopping and tax arbitrage. The assumption was that since the goods would attract the same taxes and therefore be at the same price in every state, there would be less incentive for sellers to sell in one state but generate invoices in another because of the different rates of taxes in the two states.

A corollary to that promise was that there would be no delays at inter-state border checkpoints, which often delayed goods by as much as two or three days, if they were to cross several states from point of shipping to destination. The smooth movement of goods across the country was therefore one of the promised benefits.

Now it appears that the central government and the state governments have reason to believe that goods are being sold at one state and invoiced in another, despite having common tax rates. Or at least, that seems to be the reasoning behind the GST Council deciding to advance the date for implementing the e-way bill - an electronic way of tracking movement of goods -- system. Now, trial runs can be conducted from January 16, and the full implementation will take place from June 1.

The logic behind the e-Way bill is to track the movement of goods above Rs 50,000 within the state, and from one state to another. It is supposed to check GST evasion and put to rest the worries of different states that they were losing out on GST revenues.

The central government was equally keen to shorten the mismatches and delays in matching invoices that is taking place at the moment. One theory behind the advancement of the e-way bill implementation is that the government got spooked by the October GST collections, which had slowed to Rs 83,346 crore.

The e-way bill is being seen as a panacea to check GST evasion.

But the current form of the e-way Bill, despite the promises of technology like RFID that it promises to apply, is quite regressive and puts onerous conditions of compliance. Any good worth Rs 50,000 or above needs an e-way bill if it has to go beyond 10 kms. Any person or firm registered under GST will can generate the e-way bill - including the transporter.

The e-way bill needs to be generated before the good is moved, and it has a limited validity period based on the distance covered. For up to 100 kms, an e-way bill is valid for 1 day. For 200 kms, it is valid for 2 days and so on. If the good fails to be shipped on the date of generation, the e-way bill can be cancelled within 24 hours. If a mode of transport is changed, a fresh e-way bill needs to be generated. If some goods are sent back by the receiver, another e-way bill needs to be generated.

All these are likely to only delay the smooth movement of goods from one state to another. It could also unleash exactly the kind of border check posts the GST had promised to remove.

And finally, it can create problems galore for everyone ranging from physical dealers to e-commerce firms. For example, suppose a high end television or audio set that costs over Rs 50,000 is shipped by a truck from the factory to the dealer, and then sent on further by the dealer to the customer's house, it will need two separate e-way bills. If the customer in the meantime, cancels the order before it reaches him, another e-way bill will have to be generated.

All these e-way bills will then also have to be matched with the invoices. In general, it adds a layer of complexity to the whole process of shipping goods from one state to another. It adds also to the burden of the GST Network (GSTN), which is already facing multiple problems in matching invoices.

The e-way bill makes no sense in a system which promises one country, one tax. It brings back some of the imperfections of the old VAT regime, and is a big step backwards.

Source: businesstoday.in- Dec 18, 2017

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Logistics players get moving

Two recent changes have raised the hopes of logistics companies after years of neglect and subdued growth. Together, the implementation of the goods and services tax (GST) and the grant of infrastructure status to the sector are expected to spur investments and bring much-needed efficiencies to logistics companies that have remained shackled by high costs of operations.

The industry believes the twin measures will reduce the overall cost of logistics for manufacturers to the internationally acceptable level of 7-10 per cent of the gross domestic product (GDP), from the current 13-14 per cent, and boost exports by making Indian products more competitive globally.

Logistics costs have been one of the biggest stumbling blocks in the way of Indian manufacturers wanting to target global markets. At 16-18 per cent of production costs, logistics expenses weigh on exporters, making their products uncompetitive vis-à-vis those of China, where logistics make up 8-10 per cent of the costs.

The recent changes are going to affect the industry in many other ways as well. In 2014, the World Bank's Logistics Performance Index estimated that the country loses \$6.6 billion every year due to transportation delays, which in turn are the consequence of the prevailing inefficiencies in the transportation and distribution network of manufacturers as well as logistics companies.

GST is expected to address this problem to a large extent. Up until July, when GST was implemented, tax efficiency was a company's primary concern when making decisions about setting up warehouses, instead of logistics costs or customer service, resulting in the creation of multiple inefficient stocking and distribution locations in each state.

Now, with GST in place, companies can aggregate state-wise warehouses into one large regional warehouse and benefit from the resultant cost and operational efficiency that such a model brings. This so-called hub-and-spoke model is known to provide improved services for everyone involved in the market — customers, distributors and manufacturers. This in turn, say experts, may lead to an increase in business opportunities for organised service providers operating large warehouses in key geographies.

Crisil expects the future to belong to end-to-end logistics solutions provider with a panIndia presence and those that are oriented towards providing efficient service at lower costs. In a way, the changes have paved the way for consolidation in the industry by tilting the scales in favour of large companies.

“Many of the unorganised players will not be able to continue (as they have now been brought under the tax net) which will lead to consolidation. In fact, consolidation has actually started,” says Raaja Kanwar, founder & managing director of Apollo LogiSolutions. Over the past month, he says, he has received at least 10 proposals from companies wanting to sell out.

There is an air of optimism around large players in the sector across the country. R Dinesh, managing director, TVS Logistics Services, says, “Logistics is a sunrise sector that is expected to grow multifold in India. RAAJA KANWAR Founder & Managing director, Apollo LogiSolutions Infrastructure status will help the sector to become more competitive and bring in a lot more players with integrated service approach, which would help Indian manufacturers.”

Logistics companies, he says, have a much bigger role than just transporting goods, and the value addition that integrated service providers can bring to manufacturers is being recognised by the government for the first time.

One of the major problems that the sector was grappling with so far, says Kanwar, was finances. Banks were not willing to lend because the industry was largely unorganised and fragmented. Infrastructure status will now enable the sector to borrow funds at competitive interests with enhanced limits, as well as access funding via external commercial borrowings.

If interest from private equity (PE) funds is anything to go by, the sector is already witnessing a rush of activities. After a sharp 41 per cent drop in investments in 2016, the sector has seen a four-fold growth in PE/VC (venture capital) investment inflows in 2017 at \$1.2 billion against \$414 million the year before.

Interestingly, long-term investors such as pension funds are also more willing to back big logistics players. In May, the Canada Pension Plan

Investment Board committed to spend \$500 million in a joint venture with India's IndoSpace and Singapore-based Ascendas Singhbridge inked a \$600-million deal with Firstspace Realty to develop industrial warehousing space in India in June. Others such as Carlyle Group, Warbug Pincus, FairFax India are in the process of firming up their investment plans. Besides, home-grown Milestone Capital is set to launch a warehousing fund with a target to raise \$156 million.

Piramal Finance Ltd, a unit of Piramal Enterprises, which early this year marked its entry into the logistics sector by investing ~485 crore in Apollo LogiSolutions, expects investments in the sector to record a compounded annual growth rate of at least 15 per cent.

"The time has come for the industry to grow. There is an opportunity to bring down the logistics costs to 7-10 per cent, which is the international standard. Both GST and infrastructure status would help in achieving this," says Piramal Finance Managing Director Khushru Jijina.

The massive investments coming into the sector is good news for job creation as well in the sector that mainly employs blue collared workers. The only downside, say experts, could be the lack of sufficient skilled people to join the workforce.

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