



IBTEX No. 162 of 2019

August 20, 2019

US 71.55 | EUR 79.32 | GBP 86.74 | JPY 0.67

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
20478	42800	76.10
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	Rs./Candy	USD Cent/lb
20910	43702	77.70
International Futures Price		
NY ICE USD Cents/lb (December 2019)		59.24
ZCE Cotton: Yuan/MT (September 2019)		12,865
ZCE Cotton: USD Cents/lb		82.76
Cotlook A Index – Physical		71.40
<p>Cotton Guide: The ICE Cotton future prices declined across the board. The Most active contract the ICE December contract declined by -89 points and settled at 59.24 cents/lb. Yesterday's opening hours were bearish as mentioned in our previous report's hourly technical analysis. It set tone for the day with a strong pullback followed by diminishing figures.</p> <p>Two factors are said to cause this decline yesterday. First, Crop condition report and Second, Lower Optimism seen in the US China trade progress.</p> <p>The crop conditions in the US were not as good as last week but the numbers were better to that of last year's figures, which is said to have brought the prices down. The crop conditions were as follows:</p>		

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US cotton setting bolls increased to 85 percent as of August 18, 2019, which is up by 8 percent as compared to the previous week. Cotton boll openings were at 24 percent across the Four Cotton Growing territories, i.e. South East, South West, Far West and the Memphis Territory, which is above the 20 percent figure as compared to last year. Texas cotton fared better at 32% Bolls Opening as compared to the 5 year average of 15%.

This means we can expect the crop to arrive soon in the United States for the new cotton marketing year 2019-2020.

On the other hand, the market participants reacted to the diminishing optimism where no real progress is brought to light. There are all kinds of rumours (both Bullish and Bearish) going around in the market. Therefore market participants are keeping their stance safe by not taking drastic steps. This is evident by the lower volume figures seen yesterday at 16,379 contracts.

The MCX contracts have been bullish for the last contract month of this 2018-2019 marketing year, whereas the MCX contracts for the new marketing year have remained bearish. The Most active MCX contract the MCX August contract has been positive throughout the last fortnight. Yesterday it settled at 20,910 Rs/Bale with a change of +130 rs. 15 Days ago the same contract was trading 1500 Rs in discount. The new marketing year contracts have been on a declining spree as a better crop is expected. A recent article in economic times states that the cotton output next year could go up by 20-25%. In other words, if we take CAI's 2018-2019 production estimate and add 25% to it we could arrive at a figure of 390 lakh bales. However, excessive damaging rains and Pink bollworm attacks are something to watch out for in the near term.

On the Chinese front, the Volumes and Open Interest have shifted from the September contract to the January contract. The ZCE contract settled at 12,865 yaun/tonne with a change of +35 yaun.

Fundamentally speaking we still presume that the markets will settle onto the lower side in the consolidated area of 59-61. The MCX contracts should continue with their upticks.

On the technical front, prices are consolidating and trading in a range of 58-60 with a DEMA (5,9)=59.45,59.59 flattening suggesting a sideways trend. The recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00 also providing an immediate support for price to rebound towards the near term resistance zone at 60. RSI (Relative strength index) trading below 38.98 indicates the sideways to negative bias for the day. For the day we recommend to trade in the range of 58 - 60 with a sideways to negative bias. Sustaining below 57.50 will intensify its selling pressure and closing above 60.50 will negate our bearish view. In the domestic market MCX Aug future is expected to trade in the range of 20600-21100 with a sideways to positive zone. While a close below 20600 will weaken the price trend.

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INTERNATIONAL NEWS

Vietnam sustains US cotton exports

US cotton exports have fallen from the previous year. Reasons include lower production and trade barriers. Shipments from the US to eight of the top 10 markets fell with China witnessing the largest decline.

Indonesia and Thailand helped drag exports to Southeast Asia lower on declining use in both countries. Lower Indonesian yarn exports to China have helped contribute to declining imports.

However, US cotton exports to Vietnam continued another positive year of growth. Foreign direct investment in Vietnam by several East Asian countries boosted cotton imports and consumption to record levels in 2018-19, with further import growth expected in 2019-20.

US cotton exports to India also witnessed significant growth in 2018-19 and surpassed the previous years by over two-thirds. South Asia was the only region which expanded imports, with India and Bangladesh driving the bulk of demand.

In 2019-20, US cotton exports are forecast to expand with a rebounding crop that's estimated to grow by more than a quarter.

With larger exports projected, the United States is expected to help meet greater global demand in 2019-20 with Vietnam imports (the top US market) expected to break the previous year's record. US cotton exports to Vietnam have increased 294 per cent over the last five years.

Source: fashionatingworld.com- Aug 19, 2019

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USA: Retail Sales Jump in July but Tariffs Cloud Consumer Confidence

The National Retail Federation released its latest retail sales report last week, reporting strong growth in both sales volume and consumer confidence while simultaneously warning that the threat of higher prices and uncertainty caused by looming tariffs may come with consequences that have yet to be seen.

Retail sales in July, excluding auto dealers, gas stations and restaurants, were up 0.9 percent seasonally adjusted from June, according to the NRF, and were up 5.6 percent when compared year-over-year.

“July’s strong results are consistent with a confident consumer,” NRF chief economist Jack Kleinhenz said in a statement. “Households are in good shape with spending and that should continue as long as the labor market remains healthy.”

However, the same was not true for apparel retail sales, which fell by 1.6 percent year-over-year, though sales were up 0.8 percent when seasonally adjusted month-to-month. The struggles dominating the apparel retailer sector loom large just weeks before the impending Sept. 1 implementation of a 10 percent tariff on select Chinese goods.

Although the Trump administration has since said it would be postponing tariffs on certain goods until December to limit their effect on the critical holiday shopping, most apparel and footwear goods will still be on the list next month—a fact that was not lost on Kleinhenz.

Acknowledging President Trump’s unpredictable flip-flopping on tariffs, Kleinhenz said, “it’s important to remember that today’s data is looking backward at what was happening a month ago. The impact of volatile financial markets and increased trade tensions in recent weeks may put a wind of caution in consumer spending as we move forward in 2019.”

Apparel prices have already begun to tick up under the mere threat of rising duties, growing for both menswear and women’s clothing over the past two months. In July, apparel prices rose by 0.4 percent with some categories, like men’s suits, sport coats and outerwear, increasing by nearly 5 percent in average sale price.

Still, for many retailers, the NRF's numbers offer hope that trade war fears will not weigh too heavily on revenue and earnings over the next quarter, a sentiment echoed by Walmart in its most recent financial report. The three-month moving average for retail sales growth is up 3.5 percent over the comparable period a year ago and, as of yet, show no signs of slowing down.

Additionally, the NRF's report shows that Amazon's highly-successful Prime Day showing may have had a decidedly macro impact on e-commerce sales in July, lifting online and non-store sales by 19.3 percent year-over-year, and up 2.8 percent on a month-to-month basis.

Source: sourcingjournal.com- Aug 19, 2019

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July sales for clothing down 1.6% y-o-y in US: NRF

Sales for clothing and clothing accessory stores were down 1.6 per cent year-over-year (y-o-y), but up 0.8 per cent month-over-month, seasonally adjusted in the month of July in Unites States, according to the National Retail Federation (NRF). Retail sales were up 0.9 per cent, seasonally adjusted from June and up 5.6 per cent unadjusted y-o-y.

"July's strong results are consistent with a confident consumer," NRF chief economist Jack Kleinhenz said. "Households are in good shape with spending and that should continue as long as the labour market remains healthy. But it's important to remember that today's data is looking backward at what was happening a month ago. The impact of volatile financial markets and increased trade tensions in recent weeks may put a wind of caution in consumer spending as we move forward in 2019."

The release of July's numbers comes two days after the Trump administration delayed new tariffs on some consumer goods until December 15 to avoid any impact on holiday spending, but many products will still be hit by tariffs taking effect September 1 as scheduled.

As of July, the three-month moving average was up 3.5 per cent over the same period a year ago, compared with 3.7 per cent in June. July's results build on gains of 0.6 per cent month-over-month and 2.2 per cent y-o-y seen in June.

NRF's numbers are based on data from the US Census Bureau, which said that overall July sales – including auto dealers, gas stations and restaurants – were up 0.7 per cent seasonally adjusted from June and up 3.4 per cent unadjusted year-over-year.

Online and other non-store sales were up 19.3 per cent year-over-year and up 2.8 percent month-over-month seasonally adjusted, likely boosted by Amazon's Prime Day promotion.

"Volatile financial markets and increased trade tensions in recent weeks may put a wind of caution in consumer spending," said Kleinhenz.

The National Retail Federation is the world's largest retail trade association.

Source: fibre2fashion.com - Aug 19, 2019

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E-commerce sales grow faster in rural China in H1

Rural China saw faster growth in e-commerce sales compared to urban areas in the first half (H1) of 2019, according to a statement from the ministry of commerce.

Online retail sales in rural areas registered 777.1 billion yuan (approximately \$113.6 billion) during January-June 2019, increasing at 21 per cent year-on-year, the statement said.

In comparison, China's nationwide e-commerce retail sales grew at 17.8 per cent year-on-year during the period under review. Thus, online retail sales in rural areas registered 3.2 percentage points higher rate than the nationwide growth rate.

Source: fibre2fashion.com- Aug 18, 2019

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Indonesia fears Chinese dumping

Chinese textile products can be dumped in Indonesia and hit domestic textile companies. Nevertheless, these companies' credit profiles may stay stable over the next 12 or 18 months, because exports account for a high portion of their total sales, and because they maintain long-standing customer relationships and produce a strong range of value-added products that are not easily replaced by imported products.

The US-China trade dispute could lead to an influx of Chinese yarn, fabric and garments into Indonesia, potentially disrupting the so far stable levels of demand and supply in Indonesia by pushing up supply, which would in turn depress prices and hurt local manufacturers. Tariffs imposed by the US on Chinese textile exports are at 25 per cent versus the ten per cent or 15 per cent that Indonesia has implemented.

Indonesia is aggressively signing trade agreements with various countries, such as the European Free Trade Association, India, Australia, Algeria, and Morocco.

The aim is to increase exports to Australia, the EU, Chile, Mozambique, Tunisia, Morocco, and the Regional Comprehensive Economic Partnership.

In the meantime efforts will be made to harmonize tariffs from upstream to downstream and have competitive energy prices. The country's main destinations for its textile exports are Europe, the United States and Japan.

Source: fashionatingworld.com- Aug 19, 2019

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Bangladesh garment value addition reaches 63 per cent

Gross value addition in the readymade garment sector of Bangladesh was 63.23 per cent in the first half of the current financial year comparatively value addition last financial year was 60.94 per cent.

Value addition is calculated considering the import price of raw materials including cotton, synthetic/viscose fiber, synthetic/mixed yarn, cotton yarn, and textile fabrics and accessories.

Import price of raw materials in the July-December period of fiscal '19 was 36.77 per cent of total export earnings from the readymade sector in the period. Thus raw material prices shared 36.77 per cent of the total value of readymade garment exports. This means local value addition is estimated at 63.23 per cent.

Meanwhile the spinning sector in Bangladesh is in danger of losing its price edge with other yarn and fabric producing countries. When the price of locally produced yarn and fabric increases they will remain unsold and overburden millers who are already operating in losses.

This will give a huge blow to the backward linkage industry. When the forward sector starts using imported yarn and fabric, the situation will be much worse as a lump sum will be required for importing yarn and fabric and will shrink hard-earned valuable foreign currency.

Source: fashionatingworld.com- Aug 19, 2019

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Iran sees increase in textile exports; imposes restrictions on imports

US \$ 1.1 billion worth textile and garment exports!

That's the number clocked by Iran for the year ended March. While confirming this on Sunday (18 August), the Ministry of Commerce said that the Government is also imposing restrictions on imports.

Elaborating on the same, Afsaneh Mehrabi from Mining and Trade's Textile and Clothing Industries Department said that the rise in exports came amidst tight Government restrictions on imports of products with enough manufacturing capacity within the country.

She also told media that Iran was aiming at revamping the garment and textile industry, which has about 8,000 production units across the country providing jobs to 260,000 people.

Over the last few years, industry has not been going through good phase mainly owing to smuggling of garment products into the country as well as some sanctions that have badly hit the local textile firms.

Fresh US sanctions imposed in late 2018 have gradually helped local producers to fill the gap created by sliding imports.

It is worth noting that Iran's garment and textile exports last year (ending March 2018) rose by 36 and 25 per cent in volume and value terms, respectively. For the same period, the imports were US \$ 1.5 billion.

Source: apparelresources.com- Aug 19, 2019

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Bangladesh: Time for some home truths

NEAR-SHORING APPAREL SUPPLY CHAINS

A common cry we hear in global textile supply chains is that near-shoring is a more sustainable and perhaps ethical option for apparel brands. In the past couple of years, we have seen evidence—albeit limited—of this, with the US President Donald Trump talking about bringing manufacturing home, and efforts by the UK to redevelop its once-burgeoning textile industry.

In theory, near-shoring is more sustainable for a couple of reasons. Firstly, it cuts down on CO₂ emissions associated with the international transport of textiles and clothing. Secondly, there is a train of thought (which is far from proven) that local production equals ethical production.

The first of these arguments is difficult to dispute. If something is made in the US and sold in the US, its GHG (greenhouse gas) emissions associated with transportation will clearly be lower than if it were made in Asia and transported to the US.

The second argument is less clear-cut. There are tens of thousands of apparel factories in the world. Some are ethical and treat their staff well, paying them a fair wage. Many, as we all are aware, are not. But the point is, the whereabouts of these factories are random. Asian apparel sourcing hubs do not have a monopoly on poor worker rights. There are good and bad factories in Bangladesh and, indeed, in other sourcing hubs such as China and Vietnam. But there are also good and bad factories in the UK, in the US, in Eastern Europe.

The one common denominator with all of these factories, wherever they are based in the world, is that they face downward pressure on prices from apparel brands. This means there is, in turn, downward pressure on wages for factory workers. This is not a well-paid industry, wherever you operate in the world, and that's just basic economics.

But there is another, perhaps more important factor, to consider in the discussion around near-sourcing. As intimated, there is often an assumption that closer to home is more sustainable. But what if production techniques in textile supply chains in Asia are better than those in the West? What if they are cleaner, use less water, use less chemicals and create less waste?

Actually, this—textile production techniques—is something we all need to consider in the debate about where apparel is made. Brands, policymakers and economists all need to be part of this discussion.

As a factory owner myself, I can attest to the huge strides made in apparel production in recent years. The industry in Bangladesh is undergoing a minor revolution. In denim production, for instance, new techniques are being introduced which use far less water than was previously the case, while factories are also becoming much smarter on the issue of water recycling and harvesting the use of rainwater.

Wastewater, meanwhile, is managed far better, often being cleaned using costly effluent treatment technology so it can be used again and again. This is an ongoing pattern of continuous improvement, and many factories are in the process of serious industrial upgrading in this area.

In the area of chemicals, new methods are being introduced, the net result of which means that less chemicals are used in clothing production, and the chemicals that are used are carefully scrutinised to ensure they are not hazardous or harmful to humans. Getting to grips with this issue has taken years and has been helped enormously by the Zero Discharge of Hazardous Chemicals, which has helped foster good practice across supply chains.

In case of Bangladesh, we can also consider the fact that the industry has undergone a huge safety overhaul. Garment factories in the likes of Bangladesh are cleaner, safer, more efficient and more sustainable than at any time in history—that's no exaggeration. Billions of dollars have been spent in a process of industrial and technological upgrading that continues in all garment production hubs in Asia as they battle to win and maintain the business of brands.

How ironic, then, that having reached this current state, there is talk of taking garment production “back home,” as part of a pattern of near-shoring.

In actual fact, there is not a great deal of evidence to suggest that near-shoring is happening. Statistics suggest that some production has left China for the US but the picture is very mixed. If anything, production and output in the likes of Bangladesh is actually continuing to increase. Bangladesh has had a fantastic 12 months in terms of export revenues.

Why is this? A personal hunch is that near-shoring is a political slogan and not much else for the time being. Brands have been placing greater and greater demands on their Asian apparel suppliers to produce smarter, faster, and cleaner. In short, to produce more sustainably. This has not happened overnight, and it has been a major, hugely expensive learning process for all involved.

There is now a level of sustainability learning and expertise in Bangladesh's apparel supply chain which would take years to replicate elsewhere, even if there was a will to do so—which is far from evident.

Politicians might like to talk about near-shoring, but for brands, it is action not rhetoric that counts when it comes to purchasing sustainably. And on this front, for now at least, Bangladesh's RMG sector holds all the trump cards.

Source: thedailystar.net - Aug 20, 2019

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Gov't plans to restore global status of Egyptian cotton: Madbouli

Prime Minister Mostafa Madbouli stressed Sunday that the country shows a great interest in developing and supporting the textile sector as well as planting and selling the Egyptian cotton.

Madbouli's speech came during his meeting with Minister of Public Sector Hisham Tawfik to discuss the efforts to develop textile industry. The prime minister added that the Egyptian government plans to restore the status of the Egyptian cotton globally.

Tawfik expounded that the Ministry of Public Sector allocated LE 21 billion to maximize the added value of the Egyptian cotton, explaining that this plan is supervised by international consultant Warner, who prepared a comprehensive study aimed at developing this sector.

In the same context, the Central Agency for Public Mobilization and Statistics (CAPMAS) announced in February 2019 that Egyptian cotton exports in period between September and November 2018 reached 128.300 metric

quintals compared to the same period of 2017, representing around 45.1 percent increase.

Source: egypttoday.com- Aug 19, 2019

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Pakistan: Cotton prices up on strong demand

Rates showed modest gain on the cotton market on Monday as mills indulged in forward buying of fine quality to meet their needs, dealers said.

The official spot rate rose by Rs 50 to Rs 7800, they added. In ready session, about 11000 bales of cotton changed hands between Rs 7550 and Rs 8250, they said. Rates of seed cotton per 40kg in Sindh were unchanged at Rs 3000-3300, in Punjab prices picked up sharply at Rs 3500-4000, they said. In Balochistan, seed cotton prices were at Rs 3500-3600, they said.

In Sindh and Punjab, Binola prices per maund were at Rs 1500-1600, they said and adding that polyester fibre per kg rates were at Rs 187.

Market sources said that mills are laying hands over the fine quality cotton, which pushed rates up modestly.

Cotton analyst, Naseem Usman said that under the circumstance, buyers were facing a lot of uncertainties following the reports of short supply of cotton in the coming days. If India leaves extra water towards Pak borders, it can harmful for standing cotton crop in Sutluz, Sahiwal, Multan and Bahawalpur, other brokers said.

Following deals were reported: 2000 bales of cotton from Tando Adam at Rs 7550/7700, 1600 bales from Shahdadpur at Rs 7600/7750, 1000 bales from Sanghar at Rs 7550/7700, 1400 bales from Hyderabad at Rs 7550/7600, 600 bales from Hala at Rs 7575/7600, 800 bales from Shahpur Chakar at Rs 7550/7700, 600 bales from Mirpurkhas at Rs 7600-7700, 400 bales from Vehari at Rs 8050, 600 bales from Khanewal at Rs 8200/8250, 400 bales from Hasilpur at Rs 8100 and 600 bales from Chichawatni at Rs 8200, they said.

Source: fp.brecorder.com- Aug 20, 2019

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NATIONAL NEWS

Weak exports, uncompetitive prices to hit cotton spinners, says report

Weak export demand and uncompetitive prices are expected to hit the performance of domestic cotton spinners in FY20, following a brief recovery in FY19, a report said. The degrowth in volumes due to lower export demand and a sharper decline in realisations vis-a-vis cotton prices because of higher minimum support price (MSP)-led floor price for the crop are expected to result in a decline in turnover and an estimated 100-150 bps compression in operating profitability of domestic cotton spinners during FY20, said an Icra report.

A large proportion of spinners have not undertaken capacity expansions in the recent years, given the unencouraging demand trends during this period, coupled with the discontinuance of subsidy benefits under the Technology Upgradation Fund Scheme (TUFS) for the spinning segment.

This has resulted in a consistent decline in term borrowings for such companies in recent years with scheduled debt repayments, due to which the impact on their debt coverage metrics and liquidity could be lower, despite industry pressures.

With India exporting roughly one-third of its cotton yarn production every year, trends in export demand play a crucial role in determining the overall performance of the domestic spinning sector.

India's cotton yarn export quantity declined by 33% y-o-y in Q1FY20 (41% in May and June 2019) and stood at a seven-year low of 59 million kg in June 2019. As a result, multiple textile associations across the country have reported stock pile-ups and production cuts by spinning mills in recent months.

Whereas markets other than China, which has been the largest cotton yarn market for India, had supported the demand during FY17 and FY18 when exports to China fell, the pressure is more broad-based now.

Compared to a 50% y-o-y decline in cotton yarn exports to China during Q1FY20, exports to other markets too declined by 20%, the report said. Jayanta Roy, senior vice-president and group head, Corporate Sector Ratings, Icra, said, “Based on the emerging trends, we have revised the credit outlook on the Indian cotton spinning industry to ‘Negative’, as the profitability and debt coverage metrics are expected to moderate from the current levels. The impact is likely to be more pronounced for leveraged companies, that have undertaken a sizeable debt-funded capital expansion in the recent years and have higher repayments scheduled in the near term.”

“The pressure is primarily originating from higher cotton prices in the domestic market, which has made Indian yarn manufacturers uncompetitive in the international markets. As a result, the near-term outlook on Indian cotton yarn exports is quite weak at present,” Roy added.

Source: financialexpress.com- Aug 20, 2019

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Domestic cotton spinners in a bind as weak export demand, uncompetitive cotton prices weigh on performance: ICRA

ICRA expects the overall annual performance in FY20 to be weaker than FY19 despite a possible recovery during the second half.

The performance of domestic cotton spinners is likely to weaken in FY20, following a brief recovery in FY19, as they are grappling with the twin challenges of weak export demand and uncompetitive cotton prices. As per an ICRA report, de-growth in volumes due to lower export demand and a sharper decline in realisations vis-a-vis cotton prices because of higher minimum support price (MSP)-led floor price for cotton are expected to result in a decline in turnover and an estimated 100-150 bps compression in operating profitability of domestic cotton spinners during the year FY20.

Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, said, “Based on the emerging trends, we have revised the credit outlook on the Indian cotton spinning industry to 'Negative,' as the profitability and debt coverage metrics are expected to moderate from the current levels. The impact is likely to be more pronounced for leveraged

companies, that have undertaken a sizeable debt-funded capital expansion in recent years and have higher repayments scheduled in the near term.”

Having said that, it ought to be noted that a large proportion of spinners have not undertaken capacity expansions in the recent years, given the unencouraging demand trends during this period, coupled with the discontinuance of subsidy benefits under the Government of India’s Technology Upgradation Fund Scheme (TUFS) for the spinning segment. This has resulted in a consistent decline in term borrowings for such companies in recent years with scheduled debt repayments, due to which the impact on their debt coverage metrics and liquidity could be lower, despite industry pressures.

With India exporting roughly one-third of its cotton yarn production every year, trends in export demand play a crucial role in determining the overall performance of the domestic spinning sector. India’s cotton yarn export quantity declined by 33% yoy in Q1FY20 (41% in May and June 2019) and stood at a seven-year low of 59 million kg in June 2019.

As a result, multiple textile associations across the country have reported stock pile-ups and production cuts by spinning mills in recent months. Whereas markets other than China, which has been the largest cotton yarn market for India, had supported the demand during FY17 and FY18 when exports to China fell, the pressure is more broad-based now. As compared to a 50% yoy decline in cotton yarn exports to China during Q1FY20, exports to other markets too declined by ~20%.

“The pressure is primarily originating from higher cotton prices in the domestic market, which has made Indian yarn manufacturers uncompetitive in the international markets. As a result, the near-term outlook on Indian cotton yarn exports is quite weak at present”, Roy added.

Weakened competitiveness of domestic spinners is corroborated by the fact that India’s cotton yarn exports to China declined in Q1FY20, even though China’s cotton yarn import volumes remained range-bound. In contrast to the domestic trend, wherein cotton fibre prices firmed up during the quarter ended June 2019 owing to a shortage of cotton availability, international cotton prices corrected at a sharp pace.

This was driven by a higher-than-average global cotton stock-to-use ratio, as lower consumption arrested the pace of decline in the global cotton stocks, and healthy crop expectations for CY20 (refers to global cotton year ending July 2020).

As a result, the spread between the Indian and the international cotton prices, which typically remains at ~5-7%, with international cotton mostly trading at a premium, reversed and domestic cotton remained ~7-9% more expensive vis-a-vis international cotton in June and July 2019 (average premium of ~2% in quarter ended June 2019).

While domestic cotton prices also started correcting in July 2019, the extent of correction has been limited to vis-a-vis international cotton prices.

Besides uncompetitive cotton prices, other factors which have been affecting cotton yarn exports from India include duty-free access provided by China to Pakistan from July 2019 onwards, continued competitive pressures from nations such as Vietnam, and higher cotton fibre imports by China, which is keeping its cotton availability comfortable and cotton fibre prices competitive. Besides, the imposition of tariffs by the US on garment exports from China is affecting China's apparel exports, in turn slowing down the demand for cotton yarn.

The impact on the profitability of domestic cotton spinners is expected to be seen in H1 FY2020, particularly during Q2, as yarn realisations started correcting from July 2019 onwards after remaining firm during Q1 FY2020. Cotton yarn realisations (for 30s carded yarn) averaged at Rs212/ kg in July 2019, vis-a-vis Rs225/ kg in Q1FY2019 and Rs220/ kg in the previous 12 months. As a result of a sharper fall in realisations vis-a-vis cotton prices, the spot as well as rolling (adjusted for cotton stock holding) contribution margins have fallen to Rs88/ kg and Rs84/ kg in July 2019, vis-a-vis Rs94/ kg and Rs96/ kg in FY19.

With expectations of a better crop in CYi2020 (Indian Cotton Year ending September 2020), cotton fibre prices are likely to correct to a level lower than the average prices observed during the harvest season ended March 2019. Accordingly, companies that stocked sizeable volumes of cotton at a higher cost vis-a-vis the prevailing cotton price levels, may witness a higher decline in contribution margins at the prevailing yarn realisations.

Improvement, going forward, will remain contingent on developments in the international market, including global cotton output during CYg2020, China's policies on cotton stocking and imports, and the US-China trade war. These factors will determine the relative competitiveness of domestic spinners in the international markets and hence export demand. Having said that, ICRA expects the overall annual performance in FY20 to be weaker than FY19 despite a possible recovery during the second half.

Source: indiainfoline.com- Aug 19, 2019

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Can boost exports even as global economy slows

The world may or may not slide into recession, as many believe, but with US 10-year yields lower than those on 3-month paper and with China's industrial production at a 27-year low, global economic prospects don't look good. Not surprisingly, gold is up to a six-year high; and with the trade war between the US and China showing no signs of abating, indeed it has spread into more dangerous areas like theft of intellectual property, the global picture could get markedly worse.

With such uncertainty, cross-border investments could also slow, further accentuating the slowing in GDP; though, with the US economy still growing at 2.1%, and unemployment at historic lows, there may possibly still be enough juice left to stave off the crisis.

At a time when the world is slowing, it is easy to conclude that there is little India can do in such a situation, especially when it comes to boosting its exports. That, however, is completely not true, indeed the US-China trade tensions gives India a historic opportunity to boost trade by, in the same way that China boosted its exports, by getting US firms to set up base here to meet global demand.

As this newspaper has pointed out before, to cite the example of mobile phones where global trade is galloping, China-based production centres of firms like Apple account for half the global trade in mobile phones; and while Vietnam is snapping up several producers looking to diversify out of China, there could be a big opportunity here for India. Indeed, even when global trade was doing much better than it is today, India managed to miss the boat;

in the last four years, India's overall exports of all good grew just 0.2% a year in value terms.

Between 1990 and 2018, while India's exports grew just 18 times, Vietnam's rose 102 times, as a result of which its exports are 75% those of India today; these were a mere 6% in 1960. In other words, it is not how fast global trade is growing that is critical, it is seizing the opportunities this throws up.

Doing so, though, requires India completely reverse its current policy that is focussed on production for the local market since global biggies like Apple and Samsung are unlikely to move their entire production base to India for just the local market; India's local market for smart phones is just \$25bn as compared to the global export market of \$280-300bn. But getting global firms to relocate to India is not going to be possible when Indian corporate taxes for foreign firms are 43.68% while Vietnam's rates vary between 10 and 20%.

Similarly, India has poorer infrastructure, higher electricity costs etc; ideally, any export policy needs to find ways to address this. India's labour laws, similarly, are a big source of frustration and low productivity; it is difficult to see how India can boost its productivity unless this is fixed.

How important it is to get large MNCs to use India as a production base is best seen from the fact that the bulk of global trade takes place between companies; where the MNCs decide to locate their operations decide how much of a share each country gets.

Anyone who doubts this needs to see just how India's exports of automobiles grew once Suzuki took control of Maruti and decided to use the India operations as part of its global value chain. Unless India is able to sharply increase the share of global FDI it gets, especially in the manufacturing sector, it is difficult to see how its exports can do well on a sustained basis.

Source: financialexpress.com- Aug 19, 2019

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Gujarat textile units want cap on solar machinery be raise

Even as the much-publicised PowerTex India scheme aimed at development of power loom sector completes its stipulated three years by March 2020 and the central government is indicating its intent to continue it with some modifications, Gujarat-based textile units have demanded to enhance cap on the solar machinery under the scheme.

Under the Solar Energy Credit initiative, an integral part of the scheme, the central government is providing a subsidy of 50% to power loom units having maximum eight looms for adopting solar energy for captive use either in grid or off grid system.

According to Gujarat-based power-loom operators, the cap of eight power-looms under the scheme was too low and it should be increased to at least sixty to encourage the use of solar energy.

Source: financialexpress.com- Aug 20, 2019

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Mood of gloom and doom won't help, says Das

Growth is our highest priority, says RBI Governor; welcomes move by banks to link fresh loans to repo rate

Amid the slowdown in economic activity, Reserve Bank of India Governor Shaktikanta Das urged businesses not to be pessimistic, while acknowledging headwinds, and reiterated that growth was the central bank's highest priority.

"I would appeal to the leaders of business and financial sector fraternity, it is the sentiment which is important. Please look at the opportunities ahead of us," Mr. Das said at a seminar organised by industry body FICCI and IBA. "We do realise that there are challenges, there are difficulties coming from external and domestic sources.

But I think one has to look at the opportunities, one has to maintain a positive sentiment and capitalise on this opportunities. Because the mood of doom and gloom is not going to help anyone," he said. The RBI Governor

reiterated that growth was the highest priority for the central bank. RBI has reduced the repo rate by 110 bps since February to support growth with inflation staying under control.

“At this particular juncture, growth is a matter of highest priority,” he said, adding that the issues of financial stability also assumed importance.

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Source: thehindu.com- Aug 19, 2019

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North's cotton spinning mills in slow lane

Production down 25-30%, weak export demand to blame

After automakers and auto ancillaries, cotton spinning mills in North have resorted to production cut as they are grappling with the twin challenges of weak export demand and uncompetitive prices. While a few mills have stopped production, some are reducing the number of working days and shifts. On an average, the production is down by 25-30%.

With an installed capacity of 750 lakh spindles, the northern region contributes 15% to the total capacity of the country. The region comprising Punjab, Haryana, Uttar Pradesh, Rajasthan and Himachal Pradesh has around 200 spinning units.

“Perturbed over the dwindling demand, mills have started curtailing production for the last 2-3 weeks. On an average, spinning mills in North have reduced working days from seven days a week to five or six days per week and some of them have cut the number of shifts from three to two or one shift,” said a senior official in Northern India Textile Mills' Association (NITMA).

According to the industry, the Indian cotton is almost 25% costlier in domestic market than the international price. This has made Indian yarn manufacturers uncompetitive in the international markets.

According to research agency ICRA, India's cotton yarn exports declined by 33% Y-o-Y in Q1 FY2020 (41% in May and June 2019) and stood at a seven-year low of 59 million kg in June 2019.

As a result, multiple textile associations across the country have reported stock pile-ups and production cuts by spinning mills.

“The annual consumption of the spinning mills in North is 80 lakh bales (1 bale=170 kg). On an average, the spinning mills are incurring a loss of Rs 15 per kg and if timely action is taken, they will be forced to shut down, thereby affecting the ginners who are already passing through hard times,” said Punjab Cotton Factories and Ginners Association president Bhagwan Bansal.

China has been the largest market for Indian yarn. As compared to a 50% Y-o-Y decline in cotton yarn exports to China, which used to be the largest buyer of cotton yarn, during Q1 FY2020, exports to other markets too declined by 20%.

“Besides uncompetitive cotton prices, other factors which have been affecting cotton yarn exports from India include duty-free access provided by China to Pakistan from July 2019 onwards, continuing competitive pressures from nations such as Vietnam.

In addition, imposition of tariffs by the US on garment exports from China is affecting China’s apparel exports, resulting in slowing down of demand for cotton yarn,” said Jayanta Roy, senior vice-president and group head, Corporate Sector Ratings, ICRA.

Source: tribuneindia.com- Aug 19, 2019

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Multiplying reach, easing cash flow: How e-commerce is transforming MSMEs by solving two biggest issues

Indian MSME sector contributes around 45 per cent to the GDP as per MasterCard’s ‘Micro Merchant Market Sizing and Profiling Report.’ This figure is about three times what corporate India contributes.

However, this growth engine for the Indian economy needs to be properly oiled for proper functioning, something that is barely the case at present. A recent report by IFC-Intellectcap indicates that there is a credit gap of Rs 16.66 lakh crore (\$240 billion) in India.

The gravity of the situation can only be realized when we consider that the Indian economy is pegged at \$2.6 trillion, and government spending is about \$400 billion.

The MSME sector, hence, is far from its optimal performance. Still, it seems like the times are changing for the sector and the advent of e-commerce in India needs to be credited for this market development.

Broken Connectivity

At present, there are more than 51 million operational MSME units in India. The sector is spread sporadically throughout the vast expanse of the nation. This alone introduces a number of challenges for the sector. One of the primary challenges faced by the sector, apart from credit availability, is that of connectivity. MSMEs have meagre-to-zero digital integration.

This keeps them limited to their area of physical presence. They, moreover, need to arrange and manage their own logistics, even if they are supplying to a region where the incurred costs are relatively higher. These costs could be lowered if they had access to viable channel partnerships, but this is not the case as they fall in the bulging bottom of the business pyramid.

So, technically, MSMEs cannot increase their area of presence due to wide-ranging challenges. But the paradigm is changing with their digital adoption and the rise of e-commerce segment in India – the future of our current retail market. It might be in the form of hyperlocal business, B2C (Business-to-Customer) e-commerce, B2B (Business-to-Business) e-commerce, C2C (Customer-to-Customer) e-commerce, or even a P2P (Peer-to-Peer) business model, eCommerce will be driving every retail transaction in the near future.

Digitized Reach and Payments

The change is already visible on the ground with e-commerce platforms serving as the perfect enabler of the Indian MSME segment. They are helping the MSME segment to reduce its transaction cost, approach larger untapped markets, and avoid intermediaries. Several market vendors still consider the segment as ‘unorganized’ but this leaves massive scope for technological integration to the sector. Hence, it will bring about even better opportunities for the MSME sector, technology integrators, and the market in general.

The use of Information Technology has not only enabled greater consumer participation but has also helped in mass communication along with reduced costs. For instance, a small workshop that manufactures cricket accessories in Meerut can now easily supply its bats, wickets, and other goods to cricket academies in Bangalore. It's easy to have complete visibility of the end-to-end fulfilment process. The transportation is managed by logistics

aggregators who provide complete delivery status via messages and the online platform.

On the other hand, the cash woes of the MSME units are eliminated through channel partnerships with digital lending platforms. Since cash transactions govern a majority of transactions in India (and will continue to do so in the near future), some market players are even providing features such as Early COD that ensures quick remittance for an MSME irrespective of the complications involved in the process. This ultimately minimizes the locked-in capital of MSMEs and enables them to operate with superior efficiency.

Today, the integration of ICT (Information and Communication Technology) is completely changing the relationship between the organizations, consumers, and those who act as mediators between the organizations and the consumers. With ever-increasing technological adoption in the MSME sector, India is gradually traversing towards its ultramodern future. Perhaps, greasing the 'growth engine' and fueling it for the long haul.

Source: financialexpress.com- Aug 19, 2019

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Pink bollworm attack on cotton crosses economic threshold limit in Maharashtra

The pink bollworm infestation on cotton crops has crossed the “economic threshold limit” (ETL) in some parts of Maharashtra. The insect has hit the crop mainly in Akola, Parbhani, Nanded and Yavatmal where many farmers had opted for early sowing during May and June, said VN Waghmare, director, Central Institute of Cotton Research (CICR), Nagpur.

Economic threshold is reached when the the value of the damaged crops exceeds the cost of controlling the pest. Crossing of the threshold means that a sizable amount of the crop may be lost, according to the official.

Waghmare said that the kharif pre-monsoon sowing of cotton took place in about 1- 1.5 lakh hectare in the state and those areas have been affected the most.

Moreover, the crop is still in the vegetative stage here and therefore has less threat, he said. Earlier this month, officials had confirmed an outbreak of the pink bollworm (PBW) attack in Maharashtra. Preliminary surveys had revealed that around 5% of the crop had been affected by PBW.

Last year's cotton sowing was estimated at 126.44 lakh hectare. Scientists say that early cotton sowing may be responsible for pink bollworm attack. The worm survives on cotton and develops during the high temperature of summer. Waghmare explained that if the worm attacks the flower and enters the boll, it may survive even during rains. Advisories issued by the government clearly warn farmers to take care of pink bollworm.

This season, early sowing also occurred in some parts of the state as part of a protest launched by Shetkari Sanghatana to symbolically sow banned HTBT Cotton. Senior officials in the agriculture department said that 42 lakh hectare has come under cotton this season, almost the equal to the last year.

Cotton is an important kharif crop and Maharashtra normally sees around 40 lakh hectare area under the crop. As per the data released by the department, sowing is 100% complete. Shetkari Sanghatana claimed that 20% of the cotton crop in the state could be of the HTBT variety. The reduced cotton crop of 312 lakh bales (each of 170 kg) for the season 2018-19, believed to be the lowest in over a decade, is partially attributed to infestations in some growing regions.

Waghmare said that CICR is in touch with the state government, government agencies, deputy directors of agriculture (DDAs), on measures to be taken to control the infestation. Advisories and voice messages have been issued to farmers. CICR also has its own cotton app where advisories have been issued to farmers, he said.

CICR has already initiated a insecticide resistance management programme under the National Food Security Mission covering seven states from last year including Maharashtra, Gujarat, Telangana, Andhra Pradesh , Karnataka, Tamil Nadu, Madhya Pradesh. This year the institute shall also cover Haryana. This is an awareness and prevention programme that has benefited farmers in these states, Waghmare said.

“In Maharashtra 21 districts are being monitored by officials. At present, because of the rain, farmers are unable to go in their fields to find out the extent of the infestation but once the rain subsides, we shall get a clearer picture,” he said.

Source: financialexpress.com- Aug 20, 2019

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UP govt to develop textile park in Farrukhabad

With the aim to promote textile industry in Uttar Pradesh, the Yogi Adityanath government has decided to set up a textile park in Farrukhabad for which land has been acquired and investment has been arranged.

Principal Secretary (Micro, Small and Medium Enterprises) Navneet Sehgal said that the proposed park would be spread over 14 hectare area. He said the land had been arranged and the textiles units in Farrukhabad would be shifted there one by one.

“We are expecting an investment of Rs 200 crore which would not only give a boost to the textile sector but also help in generating jobs for local youth at their doorsteps. This will end the exodus of educated youth from small cities to bigger cities,” he said.

At present there are 104 textile units in Farrukhabad and 80 of them are in position to shift to the park.

“The process to shift the remaining units to the park has been initiated,” Sehgal said.

The dusty town of Farrukhabad in western UP is famous for potato as well as textile printing and for over last 200 years textile sector has been a source of livelihood for local craftsmen.

The issue of setting up of textile park in Farrukhabad was raised almost a decade back. A series of meetings had taken place but nothing happened.

The local traders have been demanding a textile park as it will provide tax benefits and power subsidy to handloom/powerloom units.

Sehgal said that in view of the increasing pollution, the Central Pollution Control Board had asked the textile units to shift out of city limit. He said in view of that order, the Union Textile Ministry had given permission to set up a textile park.

“This park will be developed by the Central government in collaboration with UP,” Sehgal said.

The park will be maintained and developed by private players under Special Purpose Vehicle (SPV).

Source: dailypioneer.com- Aug 19, 2019

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Eco-friendly fashion: India's sustainable apparel market is finding more takers

The eco-friendly clothes market in India is growing at a steady pace even as the industry is at a nascent stage. Manufacturers are adopting better practices to produce clothes that leave little impact on the environment. The consumer pattern is encouraging globally, as two-thirds of buyers are willing to spend more on eco-friendly clothes, according to a McKinsey survey.

With the Indian government banning the use plastic bags across numerous states, the increasing chatter around global warming and campaigns against dumping garbage in oceans, the textile industry in India is taking cue and is shifting towards eco-friendly clothing.

Earlier this year, major players like TCNS Clothing, Zara, Levi's and H&M announced their gradual shift to ethical fashion trends.

“We strongly believe that brands today have a great role to play in contributing towards a sustainable future. Our association with Livaeco is one such step where we have tried to convert goals to sustainable results. The Yolo Dress tailored in partnership with Livaeco is the perfect style statement this season balancing sustainability and fashion,” said Anant Daga, Managing Director, TCNS Clothing.

Small scale retail labels like Akira Ming, Doodlage and YarnGlory have entered the market to manufacture garments the organic way.

These brands create designs where the manufacturing process uses less energy, natural colours are used for dyeing clothes and they maintain a recycling unit in their supply chain.

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Source: moneycontrol.com- Aug 19, 2019

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