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IBTEX No. 109 of 2020 May 21, 2020

US 75.68| EUR 82.95 | GBP 92.31| JPY 0.70

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INTERNATIONAL NEWS

WTO's goods trade index hits record low amid COVID disruptions

The World Trade Organization (WTO) said on Wednesday its goods trade indicator fell to the lowest level since its launch, indicating global trade was likely to fall "precipitously" in the first half of 2020 due to disruptions from COVID-19.

The indicator, launched in July 2016, fell to 87.6 from 95.5 in February, the Geneva-based body said. Readings of less than 100 indicate trade below medium-term trends.

"The current reading captures the initial phases of the COVID-19 outbreak, and shows no sign of the trade decline bottoming out yet," the WTO said in a statement.

Even before the pandemic, trends had been slowing due to a trade war between major economies like China and the United States and slowing economic growth.

The WTO estimated last month that world merchandise trade could decline between 13 and 32 percent this year, depending on the duration of the pandemic and the effectiveness of policy responses. The new reading was consistent with that estimate, the statement added.

The body's trade outlook indicator is a composite of data on export orders in business surveys, air freight, container shipping, car production and sales and trade in electronic components and agricultural materials, particularly wood.

It is designed to identify turning points and gauge momentum in global trade rather than to provide a specific short-term forecast.

Source: cgtn.com- May 21, 2020

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FTA welcomes UK government's proposed EU trade agreement

The UK's Freight Transport Association (FTA) has welcomed the UK government's proposed Free Trade Agreement that will be used for discussions over trade arrangements with the European Union (EU).

The UK, which left the EU on January 1 and entered an 11-month transition period, yesterday published 13 documents, including the trade agreement, in what it describes as its "ideological approach" to discussions with Brussels.

The UK government said the free trade agreement draws on deals that the EU has with other countries but has separate agreements for fisheries, law enforcement and in technical areas covering aviation, energy and civil nuclear cooperation.

The EU chief negotiator with the UK, Michel Barnier, has said the proposals are not realistic. Sarah Laouadi, European Policy Manager at FTA said she was encouraged by the draft Free Trade Agreement.

"The draft Free Trade Agreement published today by the UK's Brexit negotiators is very positive, and takes into account all the areas of international trade which FTA has been asking government to prioritise over the past three years," she said.

"It is a good starting point for UK negotiators to engage with the EU. As always, the devil is in the detail, and we look forward to working closely with government in the coming months on the areas of the agreement which still need work, to ensure that our members can have sufficient time to prepare for whatever the final outcome of the UK/EU negotiations may be."

Despite the outbreak of the coronavirus, the UK government has said it will not extend the transition period.

Source: aircargonews.net- May 20, 2020

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COVID-19 ravages Turkey's vital clothing, textile industry

Turkey's clothing and textile industry — the most crucial branch of the country's economy in terms of production, exports and employment — has emerged as the worst-hit industrial sector in the coronavirus pandemic, with no apparent prospects of a quick recovery.

Industrial production data, released by the Turkish Statistical Institute last week, shows that clothing and textile production in March, when the coronavirus officially reached Turkey, shrank respectively 20% and 14% from February, while the overall decline in the manufacturing industry stood at 7.5%. The downtick has apparently continued since then and the outlook reportedly remains far from promising for June.

Clothing and textiles have been among the first items that households forego during the pandemic, resulting in some of the sharpest slumps in consumer demand globally and raising the specter of unemployment for hundreds of thousands of workers in the sector, especially in Asia. The entire global chain, from cotton and fiber suppliers to retail shops, has been affected.

Turkey's clothing and textile industry — one of the country's most deep-rooted manufacturing branches — has drawn both on domestic demand from an 83-million population and foreign demand, mainly from Europe, to thrive and grow into a heavyweight in the Turkish economy. For years, Turkey has ranked among leading producers in the global apparel and textile sector, where manufacturing has concentrated in emerging economies, mostly in Asia, while wealthy developed nations are the main consumers. China, India, Pakistan, Indonesia and Bangladesh are the top producers today. Turkey is the world's sixth-largest exporter of textiles and the eighth-largest exporter of ready-to-wear. In the European Union market, Turkey ranks third in terms of ready-to-wear sales after China and Bangladesh, and second in terms of textiles after China.

The pandemic-induced decline in Turkey's clothing and textile sector is of concern to a population much larger than it might seem at first glance. The industry employs some 1.3 million people, including unregistered workers, in the manufacturing field, but an equally large labor force works in distribution and marketing. Also, cotton growers represent a significant part of the agrarian population, though their numbers have decreased in recent years.

Central bank figures show that credit card spending on clothing in the eight weeks since March 11, when Turkey confirmed its first coronavirus case, decreased 64% from the eight weeks prior to the outbreak. Overall credit card spending was 30% down in the same period. Accordingly, the share of clothing spending fell to 3.5% of total spending from 7.5% before the pandemic, as consumer demand focused mostly on food and health and cleaning products.

The shrinkage in the domestic market has been mirrored by a decline in exports, a vital source of hard currency for the Turkish economy, which was still reeling from a severe currency shock in 2018 when the pandemic hit.

Clothing and textile producers contribute up to 15% of Turkey's exports, almost on par with the leading automotive sector. While the automotive industry accounts for 8% of imports, the share of the clothing and textile sector is 3%, making it one of Turkey's few sectors that are net exporters, along with, most notably, the food sector.

Imports of cotton, the main raw material of the industry, have grown in recent years, but local cotton producers continue to partially supply the sector. So, the clothing and textile industry could be termed as one "rooted" at home. For all those reasons, the turmoil in the sector has far-reaching repercussions.

In January and February, Turkey's apparel exporters sold goods worth $3 billion to foreign markets, helped also by the depreciation of the Turkish lira. With the spread of the pandemic, especially in Europe, the principal market of Turkish-made apparel, exports fell by a staggering 40% to $1.8 billion in March and April.

Restrictions to contain the pandemic, coupled with sagging demand, have forced leading international brands such as Nike, Adidas, GAP, H&M and Macy's to temporarily close their shores in an array of countries. The shares of many big apparel companies lost up to nearly 50% of their stock market value from late February to mid-March, and the downtick has yet to reverse.

Leading Turkish retailers, which operate mostly in shopping malls, met the same fate. Popular apparel brands such as Boyner, Mavi, Vakko and Ipekyol closed their shops and furloughed employees. Some sought solace in online sales. The slump in sales quickly hit production, forcing manufacturers to reduce or halt operations.

On May 11, shopping malls reopened across Turkey in a controversial move that, many fear, could inflame the outbreak. Though the decision has pleased mall owners, tenants selling apparel have had few reasons for optimism as domestic demand remains dormant and foreign tourists have yet to return. Shop tenants are now pressing for new rent arrangements, demanding that rents be pegged to turnovers.

Istanbul, Turkey's economic powerhouse and the main hub of the clothing industry, has become the epicenter of the pandemic in the country, accounting for about 60% of cases, according to limited geographical data released by the Health Ministry. The apparel sector in the city has been the worst hit after businesses in the services sector.

Istanbul contributes 31% of Turkey's gross domestic product and the clothing sector is the backbone of both industry and commerce in the city. Istanbul is home to 68% of Turkey's apparel businesses and 49% of workers in the apparel industry. In the textile sector, 39% of businesses and 16% of workers are located in Istanbul. In both sectors, Istanbul is the center of wholesale and retail trade, with hundreds of thousands of employees.

In sum, shrinking production and marketing in the clothing sector has severely hit employment in the city. Among those left jobless are many unregistered workers, including refugees and illegal migrants who live off very low wages.
Besides the decline in domestic demand and exports, Turkey's clothing sector has lost customers also from the abrupt halt in the tourism industry, which brought nearly 52 million foreign visitors to the country last year.

With the impact of the pandemic so complex and far-reaching, the sector's return to "the old normal" is likely to be slow and arduous.

Source: al-monitor.com- May 20, 2020

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USA: Upland Cotton Relief Payments Included in CFAP Details

U.S. upland cotton growers will receive direct assistance through the Coronavirus Food Assistance Program (CFAP) to help offset price losses and increased marketing costs due to impacts of the pandemic.

In a May 19 announcement, U.S. Secretary of Agriculture Sonny Perdue outlined details of CFAP, which will provide up to $16 billion in relief payments to America's farmers and ranchers.

The program provides financial assistance to producers of agricultural commodities who have suffered a 5% or greater price decline due to COVID-19 and who face additional significant marketing costs due to lower demand, surplus production and disruptions to shipping patterns and the orderly marketing of commodities.

Program funding is coming from two sources – $9.5 billion from the Coronavirus Aid, Relief, and Economic Stability (CARES) Act and $6.5 billion in existing Commodity Credit Corporation (CCC) funds for CFAP.

According to the CFAP details, eligible upland cotton producers will receive a payment of 9.5 cents per pound paid on the lesser of 50% of a grower's 2019 total production or the 2019 unpriced inventory as of January 15, 2020. Producers will initially receive 80% of the expected total payment, with the remaining 20% to be dispersed at a later date, subject to funding availability.

Unpriced inventory is defined as production that is not subject to an agreed-upon price in the future through a forward contract, agreement or similar binding document. Producers who sold or forward contracted all their 2019 upland crop prior to January 15, 2020 are not eligible for a CFAP payment.

Applications for assistance can be made from May 26 through August 28, 2020 through a producer's local FSA office. Upland cotton producers must provide information on their total 2019 production and total 2019 production unsold as of January 15, 2020.

Producers will also have to certify they meet the Adjusted Gross Income limitation of $900,000, unless at least 75% percent or more of their income is derived from farming, ranching or forestry-related activities. Producers

They must also be in compliance with Highly Erodible Land and Wetland Conservation provisions.

There is a payment limitation of $250,000 per person or entity for all commodities combined. Applicants who are corporations, limited liability companies or limited partnerships may qualify for additional payment limits where members actively provide personal labor or personal management for the farming operation.

Source: cottongrower.com- May 20, 2020

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Brazil maritime trade surplus widens as ports remain open, farm exports strong: ATP

Brazil recorded a $19.7 billion maritime trade surplus in the first four months of the year as imports by value fell as the real currency weakened and exports of agriculture goods remained strong, a port operators group said.

The surplus is 14.56% wider than in the same period of 2019 despite the crisis caused by the novel coronavirus, which has disrupted transport systems worldwide, said ATP, which represents Brazilian private-sector terminal operators including miner Vale (VALE3.SA) and grain merchant Bunge (BG.N).

The widened surplus reflects the fact that Brazilian ports have operated regularly amid the pandemic, ATP said in a statement. The result comes amid a 30% drop in maritime freight prices following the global oil rout, ATP President Murillo Barbosa said in a separate statement.

Brazil's growing maritime trade surplus underscores the strength of the country's farm sector, which exported higher amounts of goods like soybeans in March and April driven by strong Chinese demand.

Brazil shipped some 36 million tonnes of the oilseeds through April, according to data from maritime agency Cargonave on Brazil's top export commodity. This corresponds to half of the volume of soy the country sold in the whole of 2019, Cargonave data show.

ATP said the maritime trade balance calculation involves only cargo moved by sea, largely mineral and agriculture commodities.

By value, Brazilian maritime imports dropped by almost 7% from January to April, compared to the same period a year ago, while maritime exports were virtually stable at $56.75 billion, ATP said, based on government data.

By volume, Brazil's maritime exports were also relatively stable at 195.6 million tonnes while imports increased 1.09% in the first four months of 2020, ATP said, also using official trade data.

The rise in imported volumes was mainly driven by a rise in fertilizer purchases as fertilizer prices drop, according a proprietary ATP analysis.

Source: hellenicshippingnews.com- May 21, 2020

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USA: Cotton Council International Joins Sustainable Apparel Coalition

Cotton Council International (CCI) has joined the Sustainable Apparel Coalition (SAC), providing access to the Higg Index – SAC's sustainability measurement suite of tools – to drive environmental and social responsibility throughout its supply chain.

With its membership in the SAC, CCI joins more than 250 global brands, retailers, and manufacturers, government, non-profit environmental organizations and academic institutions which are collectively committed to improving supply chain sustainability in the apparel, footwear and textile industry. The U.S. cotton industry is committed to continual improvement in sustainability and continues to build upon the strong environmental gains already achieved over the past 35 years.

"We are pleased to be joining the SAC, confident that together we can scale positive impact on product sustainability over time," said Steph Thiers-Ratcliffe, CCI Director of European Brands and Retailers. "With shared ambition in providing robust environmental data to the sector, we will collaborate to enable greater supply chain transparency and informed decision making."

Through its relationship with the SAC, CCI will contribute both data and resources to support the Higg Index, which measures sustainability performance and drives supply chain transparency and decision-making to improve efficiency and sustainability impact. The Index is an indicator-based suite of tools that enables suppliers, manufacturers, brands and retailers to evaluate materials, products, facilities and processes based on environmental performance, social labor practices, and product design choices.

“We welcome the addition of CCI to the Sustainable Apparel Coalition and look forward to its participation in this industry-wide effort in sustainability,” SAC Executive Director Amina Razvi said. “Having CCI as part of the Coalition widens the scope of our impact within the industry and accelerates the change we’re making towards responsible industry actions.”

Source: cottongrower.com- May 20, 2020

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Marks & Spencer FY19 result: sales down 1.9% to £10,182 mn

Marks & Spencer (M&S), a British multinational retailer, reported its revenue declined 1.9 per cent to £10,181.9 million in the fiscal 2020 that ended on March 28, 2020 compared to the revenue of £10,377.3 million in same period prior year. Profit before tax during the year were down 20.2 per cent to £67.2 million (FY19: £84.2 million).

“Last year's results reflect a year of substantial progress and change including the transformative investment in Ocado Retail, outperformance in Food and some green shoots in clothing in the second half,” Steve Rowe, Marks & Spencer CEO, said in a press release.

However, they now seem like ancient history as the trauma of the Covid crisis has galvanised our colleagues to secure the future of the business.”

Company reported that the UK Clothing & Home business experienced a year of substantial reshaping, resulting in some encouraging performance indicators in the second half. However, the segment’s revenue declined 8.3 per cent overall.

In Womenswear, reshaping the buy and more contemporary style resulted in improving performance up until the onset of the crisis. Menswear experienced initial problems with size and fit as the range migrated towards a more contemporary style and look, in order to address issues in the shape of buy. Lingerie market share held at 27 per cent, and strong performances from 'Collection' as option count was marginally reduced.

The UK Food business outperformed the market and saw strengthening sales performance as changes to range, value, and customer communication took effect: revenue increased 2.1 per cent.

During the year M&S completed the purchase of 50 per cent of Ocado Retail providing the company with a profitable, scalable presence in online grocery, the UK's fastest growing channel. International revenue decreased 2.5 per cent.

Source: fibre2fashion.com- May 20, 2020

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JC Penney to close 242 stores

JC Penney, which filed for bankruptcy protection on Friday, plans to close 242, or 29 percent, of its 846 stores over the next two years, according to a filing with the Securities and Exchanges Commission.

For the current fiscal year, 192 stores are expected to close and then 50 the following year, the document notes. After the closings, the company will have 604

As SGB reported earlier Monday, Nike was left with an unpaid bill of $32.1 million in the bankruptcy of J.C. Penney, according to court documents. Other firms in the active lifestyle space landing on the list of the top-50 unsecured creditors included Adidas, owed $7.1 million; Supreme International, $5 million; Izod, $4.6 million; and New Balance, $3.2 million.

Nike's unsecured claim was second only to Wilmington Trust Global Capital Markets, which on a combined basis is owed over $1 billion.

JC Penney filed for bankruptcy in Texas. The company has an agreement with most of its lenders on the turnaround plan that will allow it to stay in business as a more financially healthy company, but will include closing about a quarter of its 846 stores.

Source: fashionatingworld.com- May 20, 2020

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Covid-19 set to reshuffle fashion's sustainability focus

The coronavirus pandemic is seen as triggering a set-back for labour rights in apparel supply chains, with workers left vulnerable as brands and retailers cancelled orders. But it could also lead to re-thinking on the sustainability front, industry executives say.

"We are going to see a very significant increase in slave labour," says Kerry Bannigan, founder of the Conscious Fashion Campaign, set up in collaboration with the United Nations Office for Partnerships.

Apparel workers in poverty-stricken Bangladesh, Vietnam and other developing countries, who lost their jobs after a surge of order cancellations by retailers and brands, "are in a position in which they don't know what to do for money. Desperate measures will come into place" making workers more vulnerable to illegal wages and exploitation, she explains.

Sadly for the labour rights movement, Covid-19 is set to erase many of the actions taken in recent years to curb human rights abuses across global supply chains, observers say.

"We will see a decline in safety measures and policies to protect workers and with that, we will see an increase in modern day slavery and workers' loss of rights," Bannigan continues. "We will probably lose all the ethics gains we have made over the years."

Wal-Mart, Gap refuse pay

The Workers' Rights Consortium has set up a Covid-19 Tracker to list which brands are paying crisis-hit suppliers and workers.

The list shows some of the world's top labels and retailers, such as Gap, Urban Outfitters, Wal-Mart and JCPenney, are refusing to pay for garment orders they cancelled but which are completed or in production. A shorter, contrasting list, shows Zara-owner Inditex, H&M, Target and Tesco as having fully committed to compensate suppliers and workers for the same items.

But the help must go well beyond that, especially as developing countries fall into a deep recession, leaving resource-stripped garment workers without money to buy even basic meals, activists say.

"These brands have benefitted from very low labour costs and unregulated supplier relationships to make a profit for years. Their solidarity must go beyond borders and apply toward the garment industry's crisis in these countries," says Workers Rights Consortium (WRC) researcher Penelope Kyritsis.

Cash-rich retailers such as Inditex and H&M should divert dividend payments into funds to help sustain their supply chain workers during the crisis, she adds.

"It's much cheaper for a company to have a happy-clappy website that says they are doing something or investing millions to open a school in Ethiopia, than it is to pay workers a living wage."

Companies cancelling orders and using that cashflow to pay investors should divert it to compensate workers through a "premium on their orders," she adds.

WRC and other activists are monitoring brands requesting help from the Coronavirus Aid, Relief and Economic Security (CARES) act to aid virus-stricken businesses in the US. The programme bans firms from obtaining help if they pay investor dividends or engage in stock buybacks.

Whatever brands agree to, it must be legally enforceable and binding – especially as much of the aid or commitments made in recent years to ensure supply chains are free of forced labour or environmental abuses have been voluntary.

Deteriorating conditions

Still, Kyritsis envisages more misery for workers as fashion labels curtail orders in the near to medium term.

As this happens, WRC expects labour violations to spike up along supply chains in Bangladesh, India and Pakistan and even in new textile hubs such as Cambodia or Ethiopia.

"Brands won't be placing orders at the same level; this is going to have devastating effects on informal and subcontracted workers who will be more vulnerable to various violations up to forced labour," Kyritsis says. "These will include wage theft, unpaid severance and difficulties to unionise" among other things.

Working conditions and employer abuses are also expected to worsen. "Garment workers are not making a living wage and, if they have fewer options, they are more likely to accept abusive conditions. If you are in India, where some workers are down to a meal a day, if you are in a factory and you get sexually harassed, you don't have the option to quit your job."

Circular economy

But not all is doom and gloom. The pandemic could drive gains in other sustainable fashion areas such as garment recycling, though current emissions reductions from halting production will be temporary, experts say.

The UN's Sustainable Development Goals (SDGs) call for the world to recycle 50% of clothing by 2030, up from roughly 15% currently.

Melissa O de Leon, a sustainability consultant with Regenerate Fashion, says current recycling facilities lack sufficient technology to process synthetic fabrics such as polyester or spandex with natural ones such as cotton or silk, hampering efforts to fulfil the targets.

However, she expects the pandemic to provide an opportunity for fashion labels to rethink their business models and boost innovation to provide consumers – notably Gen Z and Millennials increasingly demanding these products – with new alternatives.

"There is growing pressure from private investor groups and governments for brands to explore new ways to innovate with ESG (environmental, social and governance), be it in fashion or in the medical field," says O de Leon. "Covid-19 is a world-historic change so consumers who have been focused on throwaway clothing like fast-fashion may start to care more about sustainability."

A growing used clothing and rental industry with youngsters using apps such as Depop will also help boost the circular fashion economy calling for people to recycle apparel until it's no longer useful, helping cut wastage.

"There is an uptake in fashion reuse, not so much with offcuts [such as textile fabric waste] but with consumers swapping more than ever and renting or buying used clothes," says Bannigan. She adds the virus could eventually make people wary of such practices, spurring the need for cleaning or disinfecting technologies to keep shoppers at ease.

Environmental gains?

As manufacturing slows, the environment is enjoying an emissions break. However, Bannigan predicts it will be temporary, returning to business-as-usual when life returns to normal. When that happens, fashion will likely return to its 10% greenhouse gas (GHG) and 20% water pollution contribution, she adds.

For sustainable fashion to have longer-term appeal, prices must also come down, says Elle Wang, founder of sustainable maternity brand Emilia George, which recently launched an eco-friendly mask line.

"Sustainable fashion is expensive," she says. "Fabrics are ten times more expensive than fast-fashion ones so we need to find ways to innovate to bring down costs" by mass-producing a wider range of diverse materials, for example.

In the Covid-19 era, forced labour must be tackled through stricter vetting policies, according to the designer. "Every brand should do a very strict vetting process," she says. "The cancellation of orders will delay and reduce a lot of these practices, but we don't need a pandemic to do that. We need to start from the get go and ensure the whole manufacturing and utilisation of materials and practices with each brand follow very strict standards."

Whatever happens with the pandemic, Wang expects the sustainable fashion mission will suffer a 12 to 28-month delay until a vaccine arrives to market.

Separate research has also urged fashion CEOs to future-proof their business models by focusing on sustainability. But there are also fears its progress will slow – at least in the short term – as cash-strapped companies emerge from the pandemic unable to fund the necessary changes.

Source: just-style.com- May 20, 2020

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Registration open for virtual Texworld & Apparel Sourcing

Texworld USA and Apparel Sourcing USA have opened the registration for the premier of its virtual edition. The easy online system is the first of many steps in preparation for three days of product discovery, trend analysis and education, from July 21-23, 2020. Early registration is needed, as it allows for more time to set up meetings and one-on-one chats.

Similar to the traditional trade show floor, exhibitors, and visitors will have an interactive experience, coupled with many new exciting features, including online showrooms highlighting vivid fabric innovations and new colour palettes.

With exhibiting companies from global textile manufacturing hubs from China, India, Turkey, Pakistan, Taiwan, and Korea coupled with North American suppliers, the summer edition will offer buyers a host of opportunities to source and connect through one-on-one chats and AI-powered matchmaking, according to a press release from organiser of the show, Messe Frankfurt.

Virtual seminars cover strong comprehensive topics Live streaming of the educational programming, Textile Talks and the Lenzing Seminar Series, will feature a variety of thought leaders focusing on placing information and insight into the hands of industry professionals to help move their businesses forward.

Lively presentations addressing climate change, sustainability post COVID-19, adapting to new business models and other dynamic topics designed to engage and inform will be available during the three-day live event and 45 days following.

Held alongside Texworld USA and Apparel Sourcing USA is the co-located event, Home Textiles Sourcing, for those manufacturers, retailers, converters, contract specifiers, and designers seeking new fabrics and products for their latest home collections.

Providing a seamless registration experience allows visitors a single badge entry for all three shows. As the largest sourcing event on the East Coast for fabric buyers, product R&D specialists, designers and other industry sourcing professionals, the virtual platform enables access to those who historically were unable to travel to the event.

“We are inviting the textile sourcing community to join us on our new virtual platform. Our belief in face-to-face interaction will not waiver but there’s a new normal arising and we will welcome it with a steadfast commitment to supporting the industry. This summer, global manufacturers will display their collections virtually and as we navigate these unprecedented times, we are pleased to continue to offer opportunities for sourcing, networking and education,” Jennifer Bacon, show director, fashion and apparel, Messe Frankfurt North America said.

“We are excited to host our education seminar series as digital webinars with international presenters to discuss adding value with circularity, lower environmental impacts, and branding,” Tricia Carey, director of global business development – apparel, Lenzing said.

Source: fibre2fashion.com - May 20, 2020

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COVID-19 impact, fashion sector shifts focus on responsible fashion

Shifts in political, cultural and financial situations across the world due to the outbreak of COVID-19 is forcing the fashion sector to now focus away from niche areas of corporate social responsibility teams and sustainability experts to climate crisis. In place of the old doctrine of shareholder primacy, the sector is now lobbying for a new form of “stakeholder capitalism” that requires companies to consider the interests of employees, suppliers, local communities and the planet, alongside making money for investors.

This new, friendly version of capitalism focuses on purpose of the business. Proponents off this theory believe that any short-term losses they incur now will pay dividends in the future as it will give companies long-term license to operate in an increasingly aware socio-political climate and embed resilience against systemic shocks into corporate strategies.

A report by the Business of Fashion and McKinsey & Company, ‘Coronavirus Update to the State of Fashion 2020’ opines the pandemic will reemphasise values around sustainability by intensifying discussions and further polarising views around materialism, over-consumption and irresponsible business practices.

Focus on responsible business

The Business of Fashion report stated, at the heart of any responsible business is integration of protection of air, water and the land into the business' thinking. Responsible business practices evolve with technological innovations and cultural perceptions. Historically, they have often been limited to piecemeal CSR initiatives that are not embedded into businesses’ overall strategies.

The United Nations has laid out 10 principles of corporate sustainability in its global compact states over 3,000 companies can be certified as B corporations. Within the fashion world, brands like Patagonia, Allbirds and Eileen Fisher have gained the certification. And yet the fashion industry remains addicted to sales growth that sits uncomfortably alongside climate goals. Many companies continue to operate business as usual while touting “sustainable” collections or plans to eradicate virgin polyester, and doing little to address social issues within the supply chain.

Supply chain inequities exposed

COVID-19 has also laid bare the inequities within fashion's supply chain that leave millions of vulnerable garment workers at risk of destitution and disease. Companies are also being held publicly accountable for their strategic decisions. Brands failing to address these issues are facing scandal, reputational damage and lost consumer confidence.

Despite these challenges, the industry has also been instrumental in lifting millions out of poverty and driving growth in economies like China, India and Bangladesh. And there are signs of progress, even amidst the current criticism, with some companies committing to support their manufacturers and protect employees

Cutting waste

While COVID-19 has forced the industry to face some of its structural inequalities, brands are being tempted to shift focus away from costly initiatives. To be compatible with global climate goals, the industry needs to drastically reduce emissions and cut back the waste it generates. Companies need to put resources into understanding their supply chains down to the raw material level and into transitioning to less extractive modes of operating.

Arms-length sourcing practices need to shift to a point where companies are supporting regenerative models of agriculture that sequester carbon and protect biodiversity. Brands need to find solutions to ensure old clothes don't end up in landfill or incinerated, and find ways to continue to drive profitable growth while producing less.

A tricky business

But balancing demands in a troubled retail climate is increasingly tricky and nuanced. Many businesses have been forced to make painful choices to lay off workers and cut back operations simply to survive.

Even before the current crisis hit, many brands were vague about their spending plans. Hence, analysts see the current crisis as a rare opportunity for radical change.

Building a responsible business

The first step is a reset in corporate culture. Top executives need to shift their mindset away from a profit-first model. Resilient business strategies need to focus on a more holistic approach to success that takes into account positive impact on people and planet as well as financial gain. Executive remuneration should be tied to delivery on environmental and social targets and putting in place mechanisms to ensure those goals are given adequate weight in strategic decision making.

Fixing supply chain issues

For years, a major barrier to fixing many of the social and environmental issues within the fashion industry have been its sprawling and convoluted supply chains that enable abuses and leave businesses ignorant of the extent of their impact. That needs to change. Companies need to monitor and measure their social and environmental impact in the same way they do their financial performance in order to ensure accountability and progress.

Meanwhile, the tools to understand and monitor labour practices have also often proved to be inadequate in a world of distant and sprawling supply chains. Most companies rely on third-party audits to ensure codes of conduct are being upheld within their supply base, but these have frequently failed to identify and prevent abuses.

Fixing such problems requires investment as less damaging materials are often more expensive. Technological innovations to enable the industry to move towards a more circular model require investment to develop and scale. Manufacturers need financial support to shift away from fossil fuels and towards renewables and energy-efficient technologies. Similarly, ensuring that wages are sufficient throughout the supply chain inevitably means spending more on salaries.

Any real change also requires much greater engagement with governments because brands cannot achieve their goals to operate more responsibly without systemic shifts. No individual brand can ensure workers in its supply chain are getting a fair wage if all its competitors continue to undercut it. Similarly, reducing emissions across manufacturers will require a wholesale shift to cleaner energy that will likely need government support to facilitate.

Collaboration is a relatively new concept that is gaining traction in the industry. Over the last few years, initiatives like the UN Fashion Industry Charter for Climate Action and the Fashion Pact have drawn in dozens of brands to collaborate on efforts to reduce the industry's environmental impact. While both groups' plans remain somewhat hazy, they provide the industry with a platform though.

Meanwhile the crisis caused by COVID-19 has created an opportunity to bring together stakeholders to address some of fashion's social issues. Trade union groups have worked with the UN's International Labour Organisation to issue a call to action for the industry to protect workers from the immediate fallout from the pandemic and establish sustainable systems of social protection for the long-term.

Companies that want to operate responsibly also need to embrace new business models and abandon established systems. The industry is facing a reckoning. Industry watchers have complained of a broken system for years, but Covid-19 has irrevocably exposed the long-standing weaknesses in the sector's standard business model.

There is no perfect solution. Many may be tempted to return to business as usual in pursuit of a near-term recovery. But the world is changing and brands that start to factor environmental and social considerations into their business strategies now will likely be better-placed to weather future crisis.

Source: fashionatingworld.com - May 20, 2020

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Will face masks be a lifeline for apparel retail?

Apparel continues to struggle amid the uncertainty of the novel coronavirus pandemic, but one brand has made the best out of the situation, pivoting to use materials already in its pipeline to create a pandemic-appropriate product.

Facing sales declines of 60 percent at the onset of the novel coronavirus outbreak, San Francisco menswear brand Blade + Blue began working with its manufacturing partner to use remnants from last season's shirts as well as the upcoming summer season's shirts to make masks, CNN Business reported. The brand's founder, Peter Papas, said that the move not only saved the business, it also attracted new customers. Blade + Blue has donated some masks to healthcare workers and first responders in addition to selling them to the general public.

In addition to slowing sales and supply chain disruptions, backlogged inventory has been one of the biggest problems faced by apparel brands and retailers throughout the duration of the pandemic. Retailers with highly-seasonal stock are having to choose between holding over unreleased seasonal merchandise into the following year or selling at huge markdowns as stores slowly reopen.

In an attempt to weather the storm while helping out with the cause of protecting healthcare workers from COVID-19, Blade + Blue is not the only apparel brand to get in on the mask making game.

Both Banana Republic and Old Navy are among those that have been donating and selling non-medical cloth face masks and, according to USA Today, the ones from Old Navy are being made from the brand's leftover fabric.

Earlier on in the pandemic, retailers like Joann Stores and Neiman Marcus started making masks for frontline medical personnel in light of a nationwide PPE shortage, even though at the time there was conflicting data as to the effectiveness of cloth masks in particular situations.

While some luxury brands had been making face masks preceding the pandemic, they have pared down their availability, according to Glossy, over fears that selling such products in the price range of hundreds of dollars would be considered gouging during the pandemic and promote a backlash.

Source: retailwire.com- May 20, 2020

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Bangladesh RMG sector calls for a collective effort to deal with challenges

With COVID-19 reshaping the entire world; earlier theories like learning about customers, competitors and market conditions may not fit into tomorrow's rapidly changing business environment. The same is true about the readymade garment sector in Bangladesh which is heading towards a major phase of turbulence. COVID-19 has catalysed significant changes in the country's RMG business. Therefore, all those involved in this sector need to make a greater collective effort to curtail the challenges ahead:

Ensuring worker's safety

The first and most pressing challenge for the country's RMG industry is to ensure health and safety of workers. The industry should protect them at any cost. Bangladesh Garments Manufacturers and Exporters Association (BGMEA) have already issued guidelines on health and safety protocols.

These guidelines are consistent with those developed by health experts and all factories have been ordered to strictly comply with them. BGMEA and the Department of Inspection for Factories and Establishments (DIFE) should ensure a proper implementation of these guidelines, close supervision and collective approach of all employers,

Operational and diversification plans

Another challenge before producers is to prepare for intense competition and formulate plans for operating at less than full capacity as order volumes will shrink substantially — at least for the next couple of months. They should diversify their production by exploring the PPE market that is projected to reach $92.5 billion by 2025.

Engage in constructive dialogue

All stakeholders should now take more time to proactively reconnect with one another, gather insight and engage in a constructive dialogue. Clothing manufacturers and retailers should exchange views to come to a mutual understanding about the issue.

Make contingency plans compulsory

As the sector becomes more global, and with a profound impact on it due to various national or international issues, leaders and decision-makers should make contingency planning a compulsory and a central part of their work. Everyone from small and medium-sized enterprises (SMEs) to large ones should have their own set of crisis preparedness and business continuity plans ready and tested in order to mitigate and respond to potential unexpected events.

Stakeholders should avoid pointing fingers at others and make a collective effort to deal with the situation. The Bangladesh apparel industry is closely linked to the development of the country as the largest export earner having an immediate impact on the lives of some four million workers. It must therefore, be given high priority.

While industry leaders take these initiatives, on its part the government should monitor their activities and support them at all times.

Source: fashionatingworld.com - May 20, 2020

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Pakistan: Growers, textile millers differ over intervention price of seed cotton

The federal cabinet while opposing the decision of the Economic Coordination Committee (ECC) has asked to review its decision of rejecting intervention price of seed cotton (phutti) and has constituted a four-member committee, it has been reliably learnt.

The committee comprises Federal Minister for National Food Security Syed Fakhar Imam, Foreign Minister Shah Mahmood Qureshi, Federal Minister for Economic Affairs Makhdoom Khusro Bakhtiyar and Adviser to the Prime Minister on Climate Change Malik Amin Aslam. They have been tasked to look into this matter and submit their proposals.

Federal Minister for Federal Minister for National Food Security Syed Fakhar Imam, who is cotton farmer himself, carried out an extensive consultation after taking the charge as the minister and moved the proposal of intervention price to ECC on May 6, which was rejected by the large ECC majority, stating that cotton production is a provincial subject after the 18th amendment, and government is already mulling over proposals to get rid of wheat support price and sugar indicative price.

It is pertinent to mention that on May 7, the ECC rejected the proposal of the Ministry of National Food and Security and Research (NFSR) in which intervention price of seed cotton was proposed at Rs4,224 per 40 kgs.

The news is welcomed by the cotton growers from all across the country whom Pakistan Today reached out. However, textile millers are against fixing the cotton intervention price.

Zaheer Abbas, a cotton grower, thanked the federal cabinet for intervening and asked the ECC to review its decision. He added that after the May 7 decision of ECC, cotton growers thought that the powerful textile millers mafia who have a strong lobby with the decision makers have again managed to turn the tables in their favour targeting farmers.

Speaking to Pakistan Today, Naveed Gulzar, a leading textile miller from Faisalabad said that the textile products across the globe are sold on international prices and no country in the world can artificially hike the price to appease the farmers community. Gulzar added that in Pakistan use of domestic textile based on cotton is not even five percent and looking at the buying capacity of the people even they cannot afford expensive suits.

"What I would like to suggest to the government is that if they want to support the farmers community it should provide them subsidised seeds, cheap electricity and subsidised fertiliser," he maintained. The textile miller added that the government could reduce farmers' cost of production by doing this but the concept of intervention price cannot be introduced in Pakistan as no mechanism is available in the country.

Gulzar opined that the government has to lift cotton from ginners and farmers will not benefit from intervention prices and high rates would be eaten up by ginners due to which textile exports of the country will suffer and growers will get no benefit. He recommended the government to study Indian model of intervention prices which cannot be implemented in Pakistan as the market is not mature.

Experts were of the view that any announcement regarding announcing the fixing of intervention price will not be fruitful after the completion of sowing season.

Talking to Pakistan Today, Asif Sharif, an agricultural expert said that the issue that cost of production is high in Pakistan and it is not because of the price of seed or fertiliser it is because of the mismanagement and poor production process. Sharif added that more than 90 percent of fertiliser, water and tillage (cultivation) is being used for production is wasted. He maintained that 40-50 percent of seeds are being wasted and sprays which are being used for pest management are also being wasted because of the poor process.

“We need to rectify and change the agriculture production process of not just cotton but all other crops too. The agriculture production process needs to be in line with natural algorithms of soil fertility but we are at war with nature at the moment.

Nature evolved a mechanism (system) which has sustained for 400 million years and we started working against the fundamentals of that mechanism. This is what industrial agriculture is,” he said. Sharif shared that it was this mafia who made it necessary and ensured that its fertiliser and pesticides are being sold.

He added that after realising this fact we need to educate the farmers on a large scale and its best source is to engage the cotton processors who educate the farmers in their districts and areas and ensure contract productions.

“These are very successful models which are being implemented in Pakistan and the tobacco industry is running on this model,” he added. Sharif added that till the time cotton processors do not move to contract production and educate the farmers regarding how they could optimize the production, the issues would not be resolved.

Source: profit.pakistantoday.com.pk - May 20, 2020

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Pakistan: Factory workers slam pro-capitalist policies, seek job security

Participants in two public protest meetings organised nationwide under the banner of Workers Solidarity Committee have urged the federal and the provincial governments to stop their pro-capitalist agendas.

Organised by the Awami Workers Party (AWP) along with the Mazdoor Kisan Party, the Pakistan Trade Union Federation, the National Trade Union Federation, the Women Democratic Front, the Progressive Students Federation and several other labour unions on Tuesday here in Karachi, the protests were held at Ghani Chowk in Shershah and Habib Chowrangi in SITE area.

Both the protests were well-attended by factory workers, whereas several professional associations, including of journalists, doctors and nurses also endorsed the protests.

The protesters held placards against the unprecedented surge in layoffs and salary cuts of workers and labourers during the current pandemic.

They also chanted slogans against the 'inhumane' measures of the federal and provincial governments, as well as factory owners while expressing their deep concerns regarding the management and owners of a particular clothing company. They demanded that its owners and management be arrested for their "violent actions against their workers", which included opening fire on them when they asked for their wages.

Denouncing the company's decision to open fire on its workers, AWP-Karachi's general secretary Khurram Ali, said that the action could not be taken as a one-off incident. "In fact, it is a reflection of the unhindered power that this state has awarded to these capitalist owners. They can run a factory one day, and shut it down the other, as they please," he said.

"By making labourers work for 12 to 16 hours under the contractual system, these factory owners make a mockery of labour laws. But from the labour department to the federal and provincial governments, and even the National Industrial Relations Commission are not just quiet on these violations but also appear to be safeguarding the interests of these capitalists," he claimed.

"This is a country where cartels can easily pull off strikes, but not the workers. They are instead beaten up, and even shot at. We strongly condemn today's incident, and call on the state and the government to immediately arrest the management and owners of the company. Otherwise the workers will be justified in responding to violence with violence," he warned.

Workers laid off during pandemic

Representing the Mazdoor Kisan Party, Qamar Abbas stated that factory workers were continuously being laid off during the pandemic.

He said that so far 300 workers had been laid off from Ghani Cloth, around 700 from Lucky Textiles, at least 500 from Artistic Milliners in Korangi, 200 from Rajabi Textiles, 700 from Gul Ahmed, around 800 to 1,000 from Al Karam, whereas Siddiqsons has announced the closure of their entire factory. "Today when the state should have been standing with its working class, it is supporting capitalist owners," he said.

Call for a planned economy

Addressing the protesters, veteran trade unionist and leader of the Pakistan Trade Union Federation Kaneez Fatima said that the crisis had identified the need to shift from policies of privatisation and neoliberalism to a planned economy. "Because the current system does not have a solution to the challenges posed by this pandemic. If we continue to stand by the free market economy, our life will soon be even more paralysed. It is because of this free market hegemony that all the necessary healthcare facilities, which should've been provided for free, are being sold at exorbitant prices. A mask that costs Rs5, is now being sold for Rs50," she said and vowed to stand by the workers in these difficult times and continue fighting against all policies that violate labour rights.

Moreover, the protestors also criticised the factory owners' plea currently being heard by the Sindh High Court, seeking a reversal of the Sindh government's ban on sacking of employees. Speaking about the application, AWP-Karachi president Shafi Shaikh said that they call on the honourable high court to dispose of this anti-workers' case immediately. "During this pandemic when workers are going through the most difficult time, allowing factory owners to lay employees off will be akin to pushing them and their families towards hunger and death," he said.

President of the Women Democratic Front, Laila Raza, said that women of low-income households were already facing tough times as they are the first ones to be laid off from any factory during downsizing. “Considering that our society holds only women responsible for running a household and raising children, one can only assume what they must be going through during this health crisis,” she said.

The protest concluded with the Workers Solidarity Committee’s labour representatives from District West reading out demands of the labourers.

They assured the workers that the committee would continue to raise its voice against layoffs, salary cuts and other demands of workers.

Source: dawn.com - May 20, 2020

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NATIONAL NEWS

Negotiations for PTA and FTA with South American nations through video conferencing

Trade negotiations with South American nations – Chile & Peru will be now through video conferencing, as airports of these countries remain closed due to the global pandemic COVID-19.

"The negotiations with the two countries for expansion of the existing for the Preferential Trade Agreement (PTA) with Chile and the special Free Trade agreement with Peru will be carried on through video conferencing.

We have asked the governments of these countries to give us dates as travel is restricted as the whole world is fighting to control the spread of this deadly virus," according to sources.

The talks which were expected to happen in March and April respectively in Lima and New Delhi had to be pushed back due to global shut down.

India and Peru are negotiating to conclude the special Free Trade Agreement (FTA) which will push the trade between the two from the current $ 4 billion and will expand their trade basket. The two countries are agricultural products as well as minerals including Gold, Zinc, Copper and the recently discovered Lithium.

The two countries are keen on liberalizing trade in goods and services. The focus of the negotiations for the special FTA is on the two way e-commerce and investments and also to include professionals and procedures for market access for goods and customs duty.

The first rounds between India and Peru had started in 2017 when the top officials from the Ministry of External Affairs and Ministry of Trade and Commerce had visited Lima to identify issues which needed to be addressed.

Gold, silver, and copper from that country is already being imported from Peru and over the recent years has witnessed a spurt and several agricultural products including Peruvian table grapes, Citrus fruits, Avocado, Grapes as well as Quinoa have already entered the Indian market.

FTA with Peru – Why?

Diplomats refer to it as Special FTA as both countries are seeking to relax rules and certain norms which will help the two sides to promote trade in services.

India and Peru are also making efforts to reduce and eliminate customs duties on goods being imported from India.

Discovery of Lithium in Peru

Importing high-grade Lithium from there could also be on the table for discussion.

Second Expansion of India-Chile Trade Agreement

At a date of mutual convenience, India and Chile through video conferencing are expected to talk about further deepening and widening of the existing PTA between the two sides.

At the first round of expansion talks between the two sides had taken place last December when both sides had agreed to exchange their Wish Lists. In the second round, India is expected to make offers to the South American nation Chile's Wish List of 1523 tariff lines at 8-digit HS Code.

Why is it important to expand the PTA?

Once the trade basket grows, it will help India in the Pacific Alliance where it holds the position of an observer and Chile is a member.

The existing PTA has been operational since 2017 and with further expansion more products will be added as the focus is on liberalizing more than 90 per cent tariff lines.

Under the existing PTA, India has already increased concessions to Chile from 178 to 1031 tariff lines. And, Chile on its part has given 1784 tariff lines at 8-digit HS code.

Source: financialexpress.com– May 20, 2020

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CCI procures record 92 lakh bales of cotton this season

The Cotton Corporation of India (CCI) procured a record 92 lakh bales from cotton growing regions across the country on Wednesday, according to top of the corporation. P Alli Rani, CMD, CCI said that this is a global record of procurement by any single agency. The total procurement by CCI is valued at around Rs 25,000 crore. CCI had purchased a record 90 lakh bales in the year 2008, which was again a national record, she said.

Of the total crop of 360 lakh bales, around 297-300 lakh bales have arrived in the market so far. Farmers have another 60 lakh bales remaining with them of which 25 lakh bales are likely to arrive in the market, Alli Rani said. Of this, CCI is likely to procure around 10 lakh bales. Currently, CCI is procuring some 45000 bales a day.

The cotton procured so far has been purchased from farmers in Gujarat, Maharashtra, Haryana, Telangana and Punjab. The season in Tamil Nadu has just begun and will continue till September 30.

The minimum support price for the medium-staple variety of cotton is Rs 5,255 per quintal and that for the long staple one is Rs 5,550 per quintal this year. The Cotton Association of India has pegged 2019-20 crop at 354.5 lakh bales, compared with 312 lakh bales last year.

In Maharashtra, CCI is procuring about 15,000 bales a day, Alli Rani said. However, the state government has now threatened action against cotton ginners for keeping their units shut and not cooperating with the state cotton federation and the corporation.

CCI had suspended cotton procurement during the lockdown and restarted operations from May 3. Farm activist Kishore Tiwari had then sought action against ginners and pressers for not reopening their units during this period.

Ginners in the state were reluctant to start their units due to paucity of labour and the fear of contracting coronavirus. Tiwari said that some licences of units in Yavatmal had been scrapped and other units were now opening. Pradeep Jain, president, Khandesh Gin/Press Owners and Traders Development Association said that at least 70-80% of the units had begun operations.

The Maharashtra State Co-op Cotton Growers Marketing Federation has set May 31 as deadline to wind up the ongoing procurement, which was restarted from May 3 due to the onset of monsoon. Meanwhile, president of Shetkari Sanghatana Anil Dhanwat said farmers in Vidarbha and Marathwada would protest against state's insensitivity towards the issues of cotton growers. The farmers would burn cotton in front of their houses as a symbolic protest on May 22, demanding compensation to those who sold their produce to private traders below MSP.

Source: financialexpress.com– May 21, 2020

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Could govt give more economic stimulus after Rs 21 lakh cr package? Story can't end here: FM Sitharaman

Days after announcing the Rs 21 lakh crore AtmaNirbhar package, Union Finance Minister Nirmala Sitharaman has said that she is ready to respond even further as uncertainty looms large over the coronavirus pandemic and its extent. "I have to be ready because no one knows how this is going to turn out, how this is going to end, how this is going to withdraw.

So obviously I have to be ready, I can't finish my story with these announcements," Sitharaman told The Indian Express in an interview. The Finance Minister said that the government considered many suggestions before announcing the five trances of the Rs 21 lakh crore package last week and this was a result of an extensive and open exercise.

"I have heard a lot of suggestions, and I have said this even earlier. The suggestions have come from so many people, experts, economists, students, former officials. We have taken all these into cognisance and studied these at various levels and we have come out with this (package)," Sitharaman said. The Finance Minister said that she will refrain from arguing with various assumptions on the fiscal impact of the package announced, and urged people to assess where the liquidity is going to spread.

"I have laid it before everybody. Now if you want me to tell you the outlay from the Budget, let me tell you this is the Government of India, Ministry of Finance, dealing with public money. I will have to stand up in Parliament and say, sometime — and I will do it — but at this stage what is it that you want? Is the money going to the place where it should actually go, is it going on time, look at all that," she added.

The central government announced the package in five-tranches focusing on various sectors and industries throughout the week. In an effort to help the migrant labourers get paid-work, the government hiked the MGNREGA budget by Rs 40,000 crore, a move made keeping in mind the large influx of migrants traveling to their native places.

Sitharaman confessed that it is difficult to assess if the hike in MGNREGA will be enough to cope with the demand for work that rural India might witness.

"What is going to be enough, even if I know, let's not simplify the complexity of the problem… because the displacement and the type of displacement and the notional cost of it, the uncertainty it will lead to about how, and if at all, will they come back," she said. The finance minister said she will not make assumptions about what sort of budget allocation would be enough to tackle the problems being faced by the migrants.

Government's economic package refrained from cash transfers to the poor, as suggested by Nobel laureate Abhijeet Banerjee earlier this month. Sitharaman said that the suggestion was something that was put across the table while the plan was being framed up, but defended the government's decision to give collateral-free loans instead.

"Automatic is the word I use, what is that aimed at? It is aimed at giving some money to meet the fixed cost, it is aimed at giving some money to make sure that some payment for the wages are made. So that's what we have done," she said.

Source: financialexpress.com– May 20, 2020

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India must grab the opportunity for PPE exports

India's capability to manufacture PPE does not just reduce import dependency, but also opens up the global market for exports. It must learn from other nations to take advantage of this opportunity quickly

Today, the apparel industry is contributing in the fight against the Covid-19 crisis with the manufacture of PPE (personal protective equipment) for health and sanitation professionals. While indigenous manufacture of PPE enables forex savings, the apparel industry is yet to adequately embark on its exports.

This is in tune with PM Modi's recent address to the nation, where he talked about turning the Covid-19 crisis into an opportunity. He specifically referred to how the production of PPE kits in the country has exploded from almost negligible amount to two lakh units daily, over the span of a few weeks.

Later, a tweet from the Textiles Minister announced that the apparel industry now makes three lakh PPEs per day, which highlights its capability to rapidly hike production. For a country with no Covid-19 worthy PPE on March 1, this is a remarkable achievement.

The government has publicly proclaimed that it plans to procure two crore PPE kits from the country's apparel industry. In the event that the apparel industry did not step up to the challenge the country, would have expended $300 million in PPE imports. Clearly, this push for indigenous PPE manufacture amounts to import substitution.

Market opportunity

Apart from the apparel industry's ability to save forex, its potential to export PPEs merits examination in an otherwise gloomy economic environment. The entrepreneurial apparel industry is prepared to play a key role in the global market for PPEs, which is estimated to be at over $60 billion over the next five years, according to the Apparel Export Promotion Council of India. While demand for PPEs peaks at this point in time, India cannot afford to lose this market opportunity, which would only shrink over the next couple of years.

Today the government has disallowed PPE exports in order to meet domestic demand first. This leaves the large global market for PPEs open to countries like China, Bangladesh and Vietnam, with a key competitor missing. India's vision should now shift from "first local-then global" to "local with global". Production capacities across 95 approved PPE producers, are still available to the extent of 30 per cent, even after factoring social distancing guidelines.

Besides, there are 300 certified producers who are ready to take orders, as per the Textile Ministry. This reflects significant capacities which await utilisation without any impact on domestic PPE requirements. The key reason for such massive production capability is due to the lack of orders for fashion apparel from foreign markets in the wake of pandemic restrictions in those countries.

Export policy

Today, the country has a combination of available spare production capacities and addressable global market, but no market access due to government restrictions. India should examine the export policy of Vietnam and Bangladesh, which are key competitors in the global market.

Vietnam responded early to the pandemic, and reported its numbers of infections under control, which gave it the relative stability to aid other countries. In mid-April the world media was abuzz talking of how Covid turned Vietnam from an aid recipient to a donor.

Five European ambassadors stood, in business attire and surgical masks, on a stage in Hanoi and greeted Vietnamese officials who announced they were donating face masks to European nations. All was not charity. For example, Vietnam and USAID have been engaging actively on what supplies Hanoi can manufacture.

The Embassy of Vietnam in Washington has established a channel of communication with the Center for Disease Control and Prevention and the US Department of Health and Human Services. The US Federal Emergency Management Agency has created an "air bridge" to quickly get medical supplies like 2.25 mm PPEs exported from Vietnam. Interestingly, India is also part of the US "air bridge" initiative.

Bangladesh has also aggressively prospected global business from countries such as the US, Nepal, Sri Lanka and Kuwait, while tackling the pandemic. It has faced difficulty in procuring specialised fabric required for some global requirements, but is working with China, where lead times have now increased to 15-20 days due to flight restrictions.

India cannot afford to ignore global market opportunities, which will shrink with each passing day due to myopic government restrictions. India should therefore consider the economic and political dividends that timely PPE exports will generate in the post Covid era.

The Indian apparel industry has demonstrated extraordinary enterprise and agility through its ability to rejig large production facilities to manufacture PPEs. This required re-purposing their production lines amidst a nationwide lockdown where material, labour and supply chains were distorted.

For apparel industry leaders, this challenge proved a complex exercise in the fight against the deadly war against Covid-19. At this stage, to lose out on an attractive global business opportunity would be foolish on the part of foreign trade policymakers.

India prides itself on its self-reliance, but also says it should not be mistaken for an isolationist foreign trade policy. The need of the hour is to initiate PPE exports that would not disturb domestic demands due to adequately available spare capacity. This would make policymakers walk the talk.

Source: thehindubusinessline.com– May 20, 2020

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How contract farming can deliver better outcomes

While the Centre's move to legalise contract farming is welcome, the new law must address issues related to growers' security, monopsony market, farmers' production risk, and registration of contracts

On May 15, the Centre came up with three major agricultural reforms as part of the efforts of the BJP Government's Atmanirbhar Bharat Abhiyan to boost the economy, hit by the global spread of the coronavirus pandemic.

One of the major reforms, announced by Finance Minister Nirmala Sitharaman, is the Centre's plan to bring in legal provisions to help farmers engage with processors, aggregators, large retailers and exports. According to the Centre, this move will provide the much-required impetus to contract farming. This has generally been welcomed and is seen as one that holds hope for Indian growers.

Contract farming is not new to this country. It was attempted two decades ago and ran into problems. The best example of the troublesome past is the contract farming agreement that three Coimbatore-based private textile mills, led by Super Spinning Mills, entered into with cotton growers in 2005. According to the agreement, farmers in Tamil Nadu were to produce extra-long staple cotton on 42,500 acres for these three firms.

While cotton for Super Spinning was to be grown on 20,000 acres, the natural fibre was to be cultivated on an equal area for Royal Classic Mills. Cotton for Appachi Cotton Company, the third firm, was to be grown in another 2,500 acres.

The agreement, for 2005-06, was a tripartite one with the Tamil Nadu Government being the third party. The State Department of Agriculture was to act as the coordinator of the programme, while the Tamil Nadu Agricultural University agreed to render research and development support. The programme looked promising but ran into trouble due to inherent problems in the agreement. The buyers never spelt out the specifications for the fibre they required and didn't come forward to buy the cotton when the crop was ready for harvest.

They finally told the growers that they could sell the cotton to whoever they wished to. There are also unconfirmed reports that farmers sought a higher payment as they felt market prices were higher. Similar experiments in Punjab and Haryana failed as farmers were offered lower "contractual" prices.

Outreach initiatives

Currently, there are some corporates that have launched outreach and extension initiatives to try contract farming in a different way. Technically, these initiatives are not contract farming but they show how farmers can meet the needs of the user industry.

Kolkata-based multi-national conglomerate ITC Ltd has a Value Chain project for wheat and chilli, helping farmers to produce food-safe products such as chilli, maintain soil health, save water besides training them in other agricultural practices such as growing seedlings in trays, integrated pest management and post-harvest management.

Growers have no obligation to sell their produce to these corporates, but they offer it to firms such as ITC. This is because they get a premium over prevailing market rates for their products.

In addition, giving their produce at the farm gate saves them the trouble of having to transport it to the nearest agriculture market and spend hours to sell.

It is a win-win situation since the farmers get a premium for their product, while the corporate firm gets a product that caters to the niche and export markets.

Legal provisions

The Union Government's decision to come up with legal provisions to help farmers directly sell their produce to the user industry, large retailers and aggregators is a welcome move. But the Centre has to address a few issues in its legal provisions to overcome the shortcomings of the previous experiments.

First, the government will have to include provisions that will ensure security to the growers. This would require buyers and users to enter into a long-term contract that will ensure additional investments to help improve productivity and quality.

Second, monopsony has to be avoided in contract farming since one company entering into an agreement with a large number of farmers puts the growers at a disadvantage.

Third, the contracts should cover farmers' production risk. Earlier, the agreements protected the company's interests rather than the growers.

Fourth, the Centre should have provisions for registration of contracts with an authorised agency — something that had been lacking all through. The agency can also check the track record of the firms that enter into an agreement to ensure that growers are not affected by companies that spring up overnight.

The government has already come up with a model Act on contract farming which has provisions to deal with disputes from the lowest level to a high appellate authority. The Act has specified time limits to resolve disputes.

The Centre could well dust the model Act from the shelves and give it the necessary tweaks that will, per se, protect the interests of all, and more importantly that of farmers.

The Centre also stands to gain if it takes a look at the Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act that was passed by the Tamil Nadu Assembly on February 14 last year. The Act has many salient features.

Source: thehindubusinessline.com– May 19, 2020

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Centre releases ₹15,340 crore as GST compensation to States

Despite insignificant Good & Services Tax (GST) collections, the Centre on Wednesday released ₹15,340 crore as GST compensation to States/Union Territories.

After the introduction of GST, the Centre had assured the States, through legislation, of full revenue compensation for the first five years.

For the purpose of calculating the compensation amount, 2015-16 was assumed to be the base year. The growth rate of revenue for a State during the five-year period was assumed at 14 per cent a year. Compensation is paid bi-monthly while last instalment for any financial year is given in the next year.

Though the Centre has not specified the period for which the amount is released, it is believed to be for the December-January period. But soon the April-May amount will be due, making it tough for the Centre to pay as it is estimated to be a much higher sum.

Government sources said that since the last release of GST compensation cess of ₹19,950 crore to States and UTs made in February for the months of October and November 2019, the Centre has released a total of ₹1.20-lakh crore in 2019-20 against collection of ₹95,000 crore. No State/UT has been paid compensation for any period beyond October-November, a source clarified.

Since the end of August 2019, the Centre has been in a precarious position while paying GST compensation to the States and UTs. On an average, the monthly GST compensation cess requirement was to the tune of ₹14,000 crore while the cess collection on an average was only ₹7,000-₹8,000 crore per month.

Therefore, the only options left for the GST Council are to either bring more items under the cess base or to increase cess rate on the existing items.

An increase in compensation cess on few items may yield only about ₹2,000-3,000 crore a year. Therefore, the other options are to either forego full cess compensation which is increasing at the rate of 14 per cent annually or to go ahead with whatever compensation is available. The Centre could also consider raising the tax rate on items by shuffling slab rates or borrow money to pay compensation to States.

As of now, no decision has been taken on any of such measures. Considering the present situation, barring cigarettes and tobacco products, increasing the cess or expanding the base of GST cess items could be counter productive.

In FY18 a total GST compensation cess of ₹62,611 crore was collected, of which ₹41,146 crore was released to the States/UTs as compensation. In FY19, ₹95,081 crore was collected, of which ₹69,275 crore was released to the States and UTs.

As on March 31, 2019, ₹47,271-crore GST compensation cess collected had remained unutilised after the release of GST compensation to the States and UTs in 2017-18 and 2018-19, according to the Finance Ministry.

Source: thehindubusinessline.com – May 20, 2020

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Icra warns of deep recession, GDP to contract 5 per cent in FY21

Domestic rating agency Icra on Wednesday warned of a deep recession as it drastically lowered FY21 growth forecast for India to minus 5 percent, citing the very modest fiscal support, extension of the nationwide lockdown and looming labour shortage.

The agency also sharply revised downwards the growth contraction in Q1 to 25 percent as against the previous forecast of 16-20 percent and to minus 2.1 percent in Q2 from 2.1 percent growth previously, which implies a recession.

Though the government has been claiming that its economic stimulus package is worth 10 percent of GDP or Rs 20.9 lakh crore, analysts have pegged it at just 0.8 - 1.2 percent of the GDP.

After the two phases of the nationwide lockdown, many experts warned of a minor contraction in growth.

But with the lockdown being extended to end-May, and expectation of substantial delays in getting the supply chains operational following the return of millions of migrant workers to their home states, Q1 degrowth will be deeper, and recovery will be shallower and more delayed than our earlier assessment, Icra said.

"Accordingly, we now expect FY21 growth to contract by a whopping 5 percent relative to our earlier expectation of 1-2 percent," its Chief Economist Aditi Nayar and Economist Aarzoo Pahwa said in a note.

Icra sees Q1 GDP contracting by 25 percent as against previous forecast of 16-20 percent and Q2 growth contracting by 2.1 percent from a 2.1 percent growth expected previously.

However, the economy may see a moderate 2.1 percent growth in Q3 (against previous estimate of 3.6 percent growth) and 5 percent in Q4.

The much-touted Rs 20.97 lakh crore package includes Rs 8.02 lakh crore monetary measures announced by the Reserve Bank since February as well as the Rs 1.93 lakh crore initially announced by the Centre and revenue foregone due to tax concessions.

According to Icra, these announcements are only enabling provisions to support a recovery after the lockdown by helping the most stressed sectors get working capital credit. None of these offer to absorb their losses from the lost output for more than two months, it said.

Moreover, the reforms announced will have any meaningful outcomes only with a lag of a few years.

"Overall, we estimate the direct fiscal cost of this package to be limited to 1 percent of GDP, or around 10 percent of the total announcements," they said, adding these measure will not be able to counter the demand destruction caused by the pandemic, or address the prevailing supply chain infirmities.

While the agency had earlier forecast a V-shaped recovery, it warned that if there is a second wave of infections and subsequent lockdowns either in India or globally, the ensuing demand uncertainty and supply chain hiccups may result in a W-shaped economic cycle.

On the labour issue, it said multiple extensions of the lockdown has created uncertainty and untold misery to the poor migrant workers forcing them to flee to their villages.

"With a considerable portion of their savings likely to have been used up over the last two months, we feel that they may choose to delay their return to the cities until after the festive season is over, which could affect the pace of normalisation in various economic activities, including manufacturing and construction," it added.

Source: moneycontrol.com – May 20, 2020

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Industry to achieve export target of $100 billion in next five years: TPCI

With the government taking steps in the agriculture and food sector, industry will be able to achieve export target of USD 100 billion worth in the next five years by focusing on untapped global markets like Africa, Latin America, Middle East and Oceania, TPCI said on Wednesday.

The Trade Promotion Council of India (TPCI) said measures announced by the government for promoting the agri and food sector will help in boosting outbound shipments.

The amendment in the Essential Commodities Act will be a game changer, as it will make agriculture remunerative for farmers by bypassing the middleman, TPCI Chairman Mohit Singla said in a statement.

He said the move will lead to farmers connecting to the market of their choice and help monetise the produce through exports, plus help facilitating smooth inter-state trade. “From the current USD 37 billion of exports, industry will be able to achieve export target of USD 100 billion worth in the next five years, while focusing upon untapped global markets namely, Africa, Latin America, Middle East and Oceania,” he said.

He added that the measures announced will help in diversification of export products, which will reduce dependency on just four to five commodities for exports. New inclusions like cereals, fresh fruits, edible oils, oilseeds, pulses, dairy products and fisheries in the food portfolio will further boost export, Singla said.

“The scheme for formalisation of micro enterprise, wherein almost 2.5 lakh emerging smaller entrepreneurs will enter the fray, will lead to more primary producers feeding the bigger ancillary units to reduce the farm wastage and make Indian agro-food industry competitive,” he said.

Further, he said the animal husbandry infrastructure development fund will address the infrastructure and logistics gaps and strengthen the value chain.

Creation of good infrastructure along with a healthy animal population will make the dairy industry competitive against China, which often hinders export citing FDA (Food and Drug Administration) regulations,” he added.

He also suggested that branding agri-products through geographical indication (GI) would realise higher returns in global markets.

Source: financialexpress.com – May 20, 2020

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Tirupur garment-makers welcome opportunity to export cloth masks

Even as knitwear garment-makers in Tirupur eye the opportunity to export non-surgical/non-medical masks, exporters in the neighbouring Karur district have expressed their preference to stay focussed on export of home textile products.

“There are units engaged in the making of masks here, but they are only looking to supply in the domestic market,” said the production manager of a home textiles exporting unit in Karur.

Meanwhile, the exporting community in Tirupur has welcomed the amendment in the export policy of mask vide notification dated May 16 and have started acting on it.
Quite a number of units have turned their focus to making of masks with cotton and knitted fabric.

The market, which during the initial weeks of the Covid-19 lockdown, faced huge shortage of masks — surgical and non-surgical— is today flooded with cloth masks, with users looking for exclusivity, more so as wearing of masks is now mandatory.

From designing a mask with the company logo to an imprint of your favourite star and a transparent window to enable lip-reading, makers of cloth masks are trying to innovate and customise the product. The art of mask designing seems to be catching up.

Raja Shanmugam, President, Tirupur Exporters’ Association (TEA), said the industrial climate has started to limp, albeit slowly. “Exporters are now focussing on Spring-Summer sampling works and engaged in completion of the job, which were left half-done due to lockdown.

"Some buyers, however, have sought to put pending orders on hold, citing the change in season as the reason for deferment. Air-lifting of goods would not be economical; at the same time, despatching via the sea route would result in late arrivals (after the season in the respective overseas destination). Our funds are stuck."

Labour issues

To a query on migrant labourers, he said: "The issue is being politicised. Yes, they are homesick, want to return to their hometown. Their absence will not have any major impact on the industry, as the locals (those in other parts of the State) are wanting to return to work. Since the units are not operating to the optimal capacity, we will be able to manage with the existing workers."

Source: thehindubusinessline.com – May 21, 2020

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Covid impact: India Inc's FDI dips 62% to $976 million in April

India's overseas direct investment (ODI) in April dipped 62 per cent to USD 976.14 million, data from the Reserve Bank showed. The fall in ODI can mainly be attributed to the coronavirus pandemic, which led to a global lockdown and halt in most of the business activities.

Domestic firms had invested nearly USD 2.56 billion in their joint ventures/wholly-owned subsidiaries during April 2019, according to the RBI data on Outward Foreign Direct Investment. Indian firms had invested USD 2.70 billion in overseas businesses in March 2020.

Of the total investment by Indian companies in April 2020-21, USD 586.42 million was in the form of loans, USD 230.81 million was equity infusion, while USD 158.91 million was in the form of issuance of guarantees, the data showed. RBI said the data is provisional and is subject to change based on reporting by banks.

Source: financialexpress.com – May 20, 2020

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Exporters gradually getting order enquiries from US, Europe

With exporters starting operating their manufacturing units with limited workforce, they are gradually getting enquiries from various countries such as the US, France, and Spain for products such as apparel, leather and engineering, amid lockdown on account of the COVID-19 pandemic. Federation of Indian Export Organisations (FIEO) President Shard Kumar Saraf said the order situation is getting better but it will still take at least six more months for the sector to get back on track.

"Factories have started but we are facing the problems of workers. We are getting enquiries from the US and European economies," he said. FIEO Director General Ajay Sahai said the situation is better as buyers from the US and Europe have started talking to domestic companies.

"We are expecting that the exports will be in negative zone for some more months. In May, it could contract by about 30-40 per cent. We are expecting that from October, we can register some positive growth in exports," Sahai said. Sharing similar views, Ludhiana-based exporter S C Ralhan said engineering exporters are getting enquiries from countries like France, UK, Spain and the US.

Apparel Export Promotion Council of India (AEPC) Chairman A Sakthivel said "Europe is getting better than the US in terms of enquiries for the sector. We are getting more orders from online stores as compared to brick-and-mortar shops".

He said the coronavirus outbreak has impacted the sector significantly and in such a crisis, the government support is needed on an urgent basis to put the growth trajectory on track.

"One thing is encouraging that buyers are asking for samples from India. We expect that the anti-China feeling in the global markets can be converted into opportunity for India.

Our factories have also started with 25 per cent capacity," Sakthivel said. Siddh Nath Singh, chairman of the Carpet Export Promotion Council of India (CEPC), said the sector is not getting healthy orders.

"Factories have started but adequate labour force is not there. Weavers have migrated to their villages," he said adding the US accounts for over 50 per cent of carpet exports and Europe contributes about 30 per cent.

The country's exports contracted by a record 34.5 per cent in March and 60 per cent in April.

Source: economictimes.com – May 20, 2020

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Chennai-Tirupati-Nellore Tri-City industrial hub among top 10 most attractive clusters for investment: Invest India

The Sri City centred Chennai-Tirupati-Nellore Tri-City growth corridor has been chosen among the top ten places for manufacturing across nine States in the country with high potential to attract investments from other countries.

As a part of its 'Doing Business in India Guide' series, Invest India, the National Investment Promotion and Facilitation Agency of the Government of India, in collaboration with JLL India, released a publication titledGreat Places for Manufacturing in India on Wednesday.

The Mumbai-Aurangabad, Pune, Gurugram-Bhiwadi-Neemrana Corridor, Noida-Greater Noida-Yamuna Expressway, Bengaluru, Hyderabad, Ahmedabad and Vadodara - Bharuch-Ankleshwar Cluster are the remaining areas presented in the publication.

Ravindra Sannareddy, founder and Managing Director, Sri City, said, "The Chennai-Tirupati-Nellore Tri-City industrial hub falls under the influence zone of two major industrial corridors, viz. Chennai-Bengaluru Industrial Corridor and Vishakhpatnam-Chennai Industrial Corridor. Sri City, which is at the centre of the Tri-City hub, has emerged as the largest industrial park in South India, with the presence of more than 187 prestigious brands from 27 countries."

'Excellent connectivity'

He added, "The Tri-City hub is an ideal business location for companies from India and abroad in order to be successful in the Indian markets. With its strategically-favourable location, excellent road and rail connectivity, convenient access to four seaports, and two international airports, the Tri-City hub offers the advantage for serving the domestic and overseas market. It boasts of a large pool of highly skilled workforce and competitive labour costs."

The Invest India's publication, a thematic collations of details of the ten mega clusters, highlights that they are the most attractive destinations for companies to set business based on sectoral requirements and tax incentives, to promote the country as an alternative business continuity plan destination amid the ongoing Covid-19 pandemic.

These 10 mega clusters cover about a hundred popular industrial parks and house over 600 Indian and foreign multinational companies.

Source: thehindubusinessline.com – May 20, 2020

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Emergency credit for MSMEs: Interest rate capped at 9.25-14%

The interest for this programme is capped at 9.25 per cent and 14 per cent Micro, Small and Medium Enterprises will get guaranteed emergency credit at interest rates of up to 9.25 per cent from banks. This is a part of a scheme approved by the Cabinet on Wednesday.

Apart from this, six other measures under 'Atmanirbhar Bharat Abhiyan,' also got the Cabinet's nod, including post factor approval for providing free food grains to migrants.

Cheaper credit for MSMEs

The Cabinet gave its nod to 'Emergency Credit Line Guarantee Scheme.' This will enable additional funding of up to ₹3 lakh to eligible MSMEs and interested MUDRA borrowers. 100 per cent guarantee coverage will be provided by National Credit Guarantee Trustee Company Limited (NCGTC).

Interest rates under the Scheme will be capped at 9.25 per cent for banks and FIs, and at 14 per cent for NBFCs. The loan will be provided for four years with moratorium of one year on the principal amount. As on date, various banks charge interest between 10.55 to 16.25 per cent while for NBFC, rate of interest ranges between 10 to 30 per cent.

For Guaranteed Emergency Credit Line (GECL), the Government has provided a corpus of ₹41,600 crore, which will be spread over four years starting with the current fiscal. The scheme would be applicable to all loans sanctioned under the GECL facility during the period from the date of announcement of the scheme to October 31, or till an amount of ₹3 lakh crore is sanctioned under the GECL, whichever is earlier.

All MSME borrower accounts with outstanding credit of up to ₹25 crore as on February 29, 2020, which were less than or equal to 60 days past due as on that date, and with an annual turnover of up to ₹100 crore would be eligible for GECL funding under the scheme.

The amount of GECL funding to eligible MSME borrowers either in the form of additional working capital term loans (in case of banks and FIs), or additional term loans (in case of NBFCs) would be up to 20 per cent of their entire outstanding credit up to ₹25 crore as on February 29.

Special Liquidity Scheme for NBFC/HFC

A new Special Liquidity Scheme for Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) to improve their liquidity position will involve the creation of a Special Purpose Vehicle (SPV) with equity contribution of ₹5 crore from the government.

Beyond that, there is no financial implication for the government until the Guarantee involved is invoked.

However, on invocation, the extent of government liability would be equal to the amount of default subject to the guarantee ceiling. The ceiling of aggregate guarantee has been set at ₹30,000 crore, to be extended by the amount required as per the need.

The SPV would issue securities as per requirement, subject to the total amount of securities outstanding not exceeding ₹30,000 crore to be extended by the amount required as per the need.

The securities issued by the SPV would be purchased by RBI and proceeds thereof would be used by the SPV to acquire the debt of at least investment grade of short duration (residual maturity of upto 3 months) of eligible NBFCs / HFCs.

Other decisions

The Cabinet has approved:

- Interest rate structure for emergency credit line
- Creation of SPV for Special Liquidity Scheme for NBFCs/HFCs
- Subsidy of ₹3,109.52 crore for free food grains for migrants
- ₹10,000 crore scheme for formalisation of Micro food processing Enterprises (FME)
- Extension of Pradhan Mantri Vaya Vandana Yojana (PMVVY) up to 31st March, 2023 for further period of three years beyond 31st March, 2020.
- ₹20,050 crore for Pradhan Mantri Matsya Sampada Yojana

Source: thehindubusinessline.com – May 20, 2020

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Covid-19 lockdown: Truckers call for exemption of State taxes

Ask for more time to renew motor insurance

Truck owners, who have been urging the Centre to exempt them from paying taxes levied at the national level, have also made similar requests with State governments for local taxes, including road and mechanical.

More than 70 per cent of the truckers in the country are single vehicle owners struggling to move vehicles due to the lockdown for the past two months. Vehicles need maintenance to bring them to a running condition, which may cost up to ₹1 lakh. In this time, paying tax is an additional burden, say truckers.

For instance, States such as Andhra Pradesh and Odisha are collecting mechanical taxes for old vehicles which enter their jurisdiction. Similarly, States also levy road tax, said P Sundarraj, Managing Director of Tiruchirapalli-based Subham Freight Carriers India. Truckers are already paying national Permit fee, fitness certificates fees and insurance, he added.

Local tax depends on the size of the vehicles. "We are asking only for three months of exemption," he said.

GR Shanmugappa, General Secretary, Southzone Motor Transporters Welfare Association, said Himachal Pradesh has given tax exemption for four months. Similarly, Punjab and Karnataka governments have given tax exemptions for two months to truckers.

Bal Malkit Singh of Bal Roadlines, Mumbai, said some of the States levy road tax, goods tax, motor vehicle tax, passenger tax, fitness fees, State permit fees, entry fees by State RTO, State and municipal tolls, and parking fees.

Meanwhile, the All India Motor Transport Congress (AIMTC) continues to plead with the Centre to provide relief to lakhs of truckers who are facing hardships due to the lockdown.

About 30 per cent of the vehicles on roads engaged in delivering essential supplies and loaded stock are run majorly by owner-drivers and small operators. These vehicles are going to stop soon, as they will not be able to pay hefty third-party premiums (TPPs), EMIs, statutory fees and penalties. All of these have to be paid upfront without any bearing on whether the vehicle will run, earn or not. The transport operators, big or small, cannot afford these as there are no earnings, said Kultaran Singh Atwal, president, AIMTC.

Small operators

The extension of renewal of motor insurance ended on May 15. Without third-party insurance, vehicles cannot run on road. Its validity extension is not yet done and the members are not able pay up for this, as the average TPP for a single truck comes to about ₹60,000. Apart from that there are other expenses such as salaries, EMIs, taxes, establishment cost, rentals and maintenance cost that remains to be paid, which seem highly unlikely, he said.

There is extreme financial pressure on small operators who are highly fragmented and unorganised. A large section of the fraternity from across the country cannot cope with the situation any further, as they cannot run their vehicles under acute financial strain. They won't be able to pay their EMIs on June 1, AIMTC said.

EMIs, State, goods, passenger, motor vehicle taxes must be extended up to at least six months, ideally for this financial year, truckers say.

The road transport fraternity is collapsing and the government's indifference to its legitimate demands has rippled a strong wave of discontentment and despair across the fraternity pan-India, Atwal said.

Source: thehindubusinessline.com – May 20, 2020

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Foreign investors pull out $16 billion from India due to Covid-19

Amidst global economic recession due to coronavirus, foreign investors have pulled out an estimated USD 26 billion from developing Asian economies and over USD 16 billion out of India, a latest Congressional report has said.

"Foreign investors have pulled an estimated USD 26 billion out of developing Asian economies and more than USD16 billion out of India, increasing concerns of a major economic recession in Asia," independent Congressional Research Center said in its latest report on global economic effects of COVID-19.

In Europe, over 30 million people in Germany, France, the UK, Spain, and Italy have applied for state support, while first quarter 2020 data indicates that the eurozone economy contracted by 3.8 per cent, the largest quarterly decline since the series started in 1995, it said.

In the US, preliminary data indicated that the GDP fell by 4.8 per cent in the first quarter of 2020, the largest quarterly decline since the fourth quarter of 2008 during the global financial crisis, the CRS said.

According to CRS, the pandemic crisis is challenging governments to implement monetary and fiscal policies that support credit markets and sustain economic activity, while they are implementing policies to develop vaccines and safeguard their citizens.

In doing so, however, differences in policy approaches are straining relations between countries that promote nationalism and those that argue for a coordinated international response.

Differences in policies are also straining relations between developed and developing economies and between northern and southern members of the eurozone, challenging alliances, and raising questions about the future of global leadership, the report said.

While almost all major economies are shrinking as a result of coronavirus, only three countries China, India, and Indonesia are projected to experience small, but positive rates of economic growth in 2020, it said.

The IMF in its recent report argued that recovery of the global economy could be weaker than projected as a result of lingering uncertainty about possible contagion, lack of confidence, and permanent closure of businesses and shifts in the behaviour of firms and household, the CRS said.

It said public concerns over the spread of the virus have led to self-quarantines, reductions in airline and cruise liner travel, the closing of such institutions as the Louvre, and the rescheduling of theatrical releases of movies, including the sequel in the iconic James Bond series (titled, “No Time to Die”). School closures are affecting 1.5 billion children worldwide, challenging parental leave policies. Other countries are limiting the size of public gatherings.

The drop in business and tourist travel is causing a sharp drop in scheduled airline flights by as much as 10 per cent; airlines are estimating they could lose USD 113 billion in 2020 (an estimate that could prove optimistic given the Trump Administration’s announced restrictions on flights from Europe to the United States and the growing list of countries that are similarly restricting flights).

Airports in Europe estimate they could lose USD 4.3 billion in revenue due to fewer flights, it said. Industry experts estimate that many airlines will be in bankruptcy by May 2020 under current conditions as a result of travel restrictions imposed by a growing number of countries.

The loss of Chinese tourists is another economic blow to countries in Asia and elsewhere that have benefitted from the growing market for Chinese tourists and the stimulus such tourism has provided, it said.

The CRS said the decline in industrial activity has reduced demand for energy products such as crude oil, causing prices to drop sharply, which negatively affects energy producers and electric vehicle manufacturers, but generally is positive for consumers and businesses.

Further, disruptions to industrial activity in China reportedly are causing delays in shipments of computers, cell phones, toys, and medical equipment. The factory output in China, the United States, Japan, and South Korea all declined in the first months of 2020.

"Reduced Chinese agricultural exports, including to Japan, are leading to shortages in some commodities. In addition, numerous auto producers are facing shortages in parts and other supplies that have been sourced in China," CRS said.

Source: hindustantimes.com– May 20, 2020

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Workforce crunch: Textile mills in Ichalkaranji to train locals

The exodus of around 23,000 migrant workers from Kolhapur to their native homes is affecting the production of industries and mills across the district.

In order to deal with this crisis, the textile mills in Ichalkaranji — where over 50% of the workers were employed — have decided to train the local youths. Members of Ichalkaranji powerloom association had also approached the skill development department for providing them with semi-skilled workers. However, there has been no response from the department yet.

Satish Koshti, president of the association, said, "We have decided to provide the training to the local youths. Around 16,000 workers from our town had registered for going back to their home towns and most of them have already left. The government has allowed the textile mills to start operations.

But the mills are already in distress for the last few years. We need work force in large numbers and cannot rely on the government which can only train few people. We therefore have approached the worker suppliers and have assured that the local youths will be given training for semi-skilled work."

Koshti said that the youth can be trained in a month or two. "The association is making efforts to get all textile mill operators on board. Currently, Malegaon, Bhiwandi — other textile manufacturing hubs — are the hotspots of coronavirus and not many units have started there. We have an advantage that less number of people have tested positive in Ichalkaranji and surrounding areas. In a way this is an advantage for us to resume the operations at full capacity if the trained workforce is made available at the earliest," he added.

Not happy with Atmanirbhar Abhiyan

The textile mill operators have claimed that the package declared by the central government is in the forms of loans. However, the mills are already in debt. Koshti said that the efforts are being made to force the governments to waive at least the interest amount over the principle loan dues.

Stop import

The mill operators have also demanded that the import of garments should be stopped especially from neighbouring countries like Bangladesh to make space in the market for domestically produced garments.

Source: timesofindia.com– May 21, 2020

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NCL develops face mask with better filtration efficiency

National Chemical Laboratory (NCL), Pune, has developed a face mask with better filtration efficiency compared to those available in the market. Scientists at NCL, a constituent of Council of Scientific and Industrial Research (CSIR), has used institution's patented bacterial nano cellulose technology along with nano-coating to develop the new face mask.

The cotton cloth coated in a solution of bacterial cellulose and nanomaterial has been found to be effective in preventing the penetration of bacterial growth, indicating promise as a material for face mask filter. A team of scientists, led by Syed Dastager, Mahesh Dharne and Shubhangi Umbarkar, prepared the prototype of the face mask using Spun bond polypropylene medical-grade cloth to evaluate bacterial filtration efficiency (BFE), particulate filter efficiency (PFE), breathability, flammability, and splash resistance tests.

Coimbatore-based South India Textile Research Association (SITRA), a government-approved certifying nodal agency for medical textiles, conducted these tests on CSIR-NCL's sample face masks for confirming the quality.

The bacterial filtration efficiency (BFE) of CSIR-NCL mask is 99.9% according to the ASTM (formerly known as American Society for Testing and Materials) standard using aerosols of human pathogen Staphylococcus aureus, found in the upper respiratory tract and on the skin.

The particulate filter efficiency (PFE), another quality indicator for face masks, showed a high value of 92.63%, indicating high restriction of hazardous particulates.

The face mask qualified the tests for splash resistance to measure prevention against splashes of blood and body fluids. The pressure differential indicated easy breathability through the facemask as medical grade and is of Class-1 material in the flammability test.

CSIR-NCL has licensed the biopolymer nano-coated technology to Pune-based MSME SETLAB INDIA. The technology is transferred as per the CSIR guidelines for Covid-19 for rapid indigenous production.

SETLAB plans to start production in the next few days with 5000 masks per day and will gradually reach the target of one lakh masks per day.

Source: thehindubusinessline.com – May 19, 2020

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Black days for textile, diamond sectors

Even as the state government has relaxed Covid-19 norms for the commencement of industrial activity across the state, the two most important sectors — textile and diamond — are still languishing in the dark. Reason: Both the sectors are impacted by rules meant for 'red zones'.

In a meeting with the trade associations and leaders of the textile and diamond sectors on Tuesday, municipal commissioner Banchhanidhi Pani clarified that no business activity will be allowed in the containment zones. This will impact about 55,000 textile shops in about 140 textile markets located in the city's red zones.

However, diamond and textile units operating in non-containment or green zones will be allowed to function with 50% workforce and strict adherence to standard operating procedure (SOP) guidelines to contain spread of coronavirus.

On the other hand, the worst-hit under the restrictions is the diamond industry with most of its cutting and polishing units being located in the red zones of Varachha, Katargam and Central zone including the Mahidharpura and Varachha diamond markets. Not only that its lifeline, the Mumbai market, too is still under lockdown.

Regional chairman of Gems and Jewellery Export Promotion Council (GJEPC), Dinesh Navadiya said, "It is a confusing situation for the diamantaires whether to resume operation or not as not only are our own diamond markets besides many diamond units in the containment zones, the other bigger problem is that the Mumbai market is yet to reopen. Again, a majority of the diamond workers too have moved out of the city."

Talking with TOI, municipal commissioner Banchhanidhi Pani said, "The textile and diamond stakeholders were given detailed information on the containment zones. Textile markets located in containment zones will not be allowed to open. There are 42 containment zones covering 16 lakh population in 24 sq km area. However, we have permitted textile markets in non-containment zones to open on odd-even formula."

Pani further said that the industries will have to follow SOP guidelines. If positive cases get spiked in industrial areas, the units will be sealed once again. Guidelines issued to contain spread of coronavirus including sanitisation, compulsory wearing of face mask, social distancing among others will have to be followed strictly, he added.

Manoj Agarwal, president of Federation of Surat Textile Traders Association (FOSTTA) said, "About 90% of the textile markets are in the red zone and they are not allowed to commence operation. Textile markets are the key component of the textile chain and that it will impact the normal functioning of the textile sector in the coming days."

Jitu Vakharia, president of South Gujarat Textile Processors' Association (SGTPA) said, "Baring 15 textile mills, majority are in the non-containment zones. Our members have started preparations to re-start the mills in the next couple of days. Since the textile markets will remain shut, we will directly source fabric from the powerloom units."

Ashish Gujarati, president of Pandesara Weavers association said, "About 40% of the weaving units in the city will start operation from Wednesday. Disinfecting activities are going on in the industrial areas in the non-containment zones."

Source: timesofindia.com – May 20, 2020

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Centre passes the baton on to States for initiating labour law reforms

The Central government is pushing the State governments to undertake labour law reforms, even as it is not willing to take the Ordinance route to codify the laws.

A letter sent by Union labour and employment ministry to the Andhra Pradesh government has asked the State to "expedite" the increase in the daily working limit to 12 hours from eight and to introduce fixed-term employment "to address Covid-19."

"Please refer to previous communications on labour reforms and telephonic conversations to the Chief Minister of your state. In order to address the challenges (that have) emerged due to (the) Covid-19 pandemic, it is requested to undertake labour reforms on a priority basis," Union labour and employment secretary Heeralal Samariya wrote to the AP CM Y S Jagan Mohan Reddy's Principal Secretary Ajay Kallam on May 5.

The labour secretary further told the State government to send action taken or proposed to be taken to the Central government on a weekly basis.

The letter also listed the steps that the state government has already taken in terms of changing the labour laws, which included bringing smaller firms out of the coverage of the Factories Act and the Contract Labour Act, along with allowing more firms to retrench or lay off without seeking the government's official nod by amending the Industrial Disputes Act.

Incidentally, some of the State governments, like Assam, are initiating steps to change the labour laws in the same manner as was proposed in the letter sent by the Union labour secretary to the AP government.

Samariya didn't respond to a query from Business Standard on whether such a communication was sent to other States or not. But he had told the industry executives in a meeting held on May 8 that the Central government is in touch with the States to initiate labour law reforms.

"We have seen that since 2014 whenever the Central government wasn't able to implement the changes to the labour laws at the central level it shifts the onus on to the state governments. The States have been able to primarily drive some of the contentious labour law changes in the past," labour economist and XLRI professor K.R. Shyam Sundar said.

Finance Minister Nirmala Sitharaman had said in a press conference last week that the government is working on combining 35-odd labour laws into four codes, one each on wages, industrial relations, social security and occupational health and safety. However, she had made it clear that the government will follow the normal procedure of the Parliament – in a way ruling out the Ordinance route.

The Central government's proposal to increase the working hours to the State governments has already been received a backlash from the central trade unions which have vehemently opposed the move. As many as 10 states in India have increased the working hours in India from 8 to 12 hours. These are Maharasthra, Rajasthan, Gujarat, Goa, MP, Uttarakhand, Assam, Punjab, Haryana and Himachal Pradesh.

Some of the orders have been challenged in the local courts. In fact, recently, the Uttar Pradesh government withdrew an order increasing the daily working hour limit in manufacturing units from 8 to 12 hours. It was in response to a notice issued by the Allahabad High Court on a public interest litigation challenging the legality of the order.

India is a signatory to the International Labour Organisation's convention of 1919 on working hours. Though all countries which signed it had to reduce working hours to 48 hours a week, India was given an exemption to keep it at 60 hours.

The Central government is asking the states to implement fixed-term employment – an arrangement through which firms will be able to hire contract workers directly, without the need to go through the contractor system, thereby saving cost and time. But companies will have to offer equal social security benefits to such workers, who will be hired on a fixed number of years, as is given to permanent workers in the same unit, if the governments choose to follow the model law of the Central government.

In March 2018, the government had notified fixed-term employment rules, allowing industries to hire workers for a fixed tenure, but it was only applicable to sectors falling under the Centre's sphere of governance. None of the states had adopted the central government's rules and industry found it hard to benefit from the central government's fixed-term employment rules.

Source: business-standard.com – May 20, 2020

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Garment major Reid & Taylor India shuts down its factory near Mysuru

Garment and fabric company Reid & Taylor India Ltd (known as RTIL), which was under NCLT liquidation, has closed down its factory near Mysuru affecting several hundreds of employees.

"(During) the meeting held on May 5, the challenges faced by the company were discussed with the stakeholders (financial creditors) of the company and the conclusion reached was that there was no option but to permanently shut down the operations of the plant and to discharge all workmen and employees," Ravi Sankar Devarakonda, the liquidator for RTIL, said in a notice of discharge to the employees.

RTIL's factory is located in Nanjangud, about 20 km from Mysuru. Devarakonda, in a note to employees, said the company had no sale orders to execute any more which led to continuous losses. The company also did not have any working capital to keep the operations active.

"I have made the best possible efforts to run the company as a going concern for over 14 months since the commencement of liquidation but regret to inform that now I have no other option than to discontinue the business operations," he told the employees.

To discontinue business operations, the liquidator said the ongoing job work arrangement has been discontinued by RNT Distributors Private Limited, There were no sale orders on hand as on date.

The company continues to incur losses at EBITA level. The electrical supply has been discontinued to the company due to non-payment of dues.

The factory closed all its operations on May 14 and relived all its employees from services. Pending dues for the liquidation period and the full and final payment to be paid to employees and workmen is being dealt with accordance with the provisions of the code.

Source: thehindubusinessline.com – May 20, 2020

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Textile traders seek liquidity to re-start business

Rajnish Lilah, a textile trader is a worried about his future. Even if the government allows the textile market falling in the red zone of Limbayat to resume work, he may not be able to reopen his shop on Ring Road.

The reason being that he has to pay Rs 40 lakh to his creditors in the industry, which he may not be able to arrange because his payments the buyers in other state is stuck due to the extended national lockdown.

Lilah is not the only one facing liquidity crunch. About 60% of the textile traders fall under the small category having less than Rs 2 crore worth of annual turnover are in dire need of liquidity or working capital to re-start their business.

Since the traders are not recognised under the Micro, Small and Medium Enterprises (MSME), they won't be able to avail the collateral-free loan announced by the central government.

"The textile traders are in dire need of working capital to resume business activity. We are deprived of the government's collateral-free loans as we are not given the MSME status," Champalal Bothra, secretary of Federation of Surat Textile Traders Association (FOSTTA) told TOI.

There are about 175 textile markets, majority in the red zone of Limbayat, housing more than 65,000 textile shops. The daily turnover of the markets pre-Covid-19 was pegged at Rs 110 crore.

An estimated Rs 10,000 crore worth of finished fabric stuck in the transport godowns, textile mills and with the buyers in other states that were meant for Ramadan, marriage season and Akha Trij festival.

Bhanwarlal Jain, a textile trader said, "Business is now zero and we will have to start from scratch. We need collateral-free loans to operate in such tough times."

Pointer: How the textile chain operates

Powerloom units weave raw fabric and supply it to textile traders

Raw fabric is then supplied to the textile processing units for dyeing and printing

Finished fabric returns to the textile markets in form of saris and dress materials for value addition such embroidery and hand-work including tikki, jari, lace fitting etc.

The saris and dress material are then supplied by traders to various wholesale mandis across the country

Photo Quotes

The government must infuse working capital in the markets or else the MMF sector may not commence operation. Small traders like us require capital to restart business as our payments are stuck.

Hiten Uttam Chandani, Textile trader

The pandemic has swallowed our entire business season. Even if the markets re-start there will be no sale for the coming few months. Still, we require liquidity to pay our creditors to keep the business cycle rolling.

Source: timesofindia.com – May 21, 2020

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Worst may be over for Amazon, Flipkart, Snapdeal, as consumers return to online shopping

The worst is probably over for the e-commerce sector in India after the government further lifted the suspension of e-commerce services in the red zone on May 17, according to experts Financial Express Online spoke to.

Ever since the Ministry of Home Affairs gave respite to e-commerce companies like Amazon and Walmart-owned Flipkart to deliver non-essential goods in orange and green zones earlier this month, the pent-up demand for such goods led to a surge in orders and product searches.

Over more than two weeks, since the beginning of lockdown 3.0 and now in the fourth phase of the lockdown, consumers have been ordering apparel, electronics, household products, beauty, kitchen and home appliances, phone accessories etc. on Amazon, Flipkart, Snapdeal etc. This growth in online purchases will continue irrespective of the increase in the number of Covid-19 cases in India.

“This (online buying) will happen even if the Covid cases increase in India including for non-essential goods. Such products anyway don’t have sustained demand like essential goods such as grocery. So there will be sudden surge and then it will normalize whether the cases increase or not,” Arnav Gupta, an analyst at Forrester told Financial Express Online.

Amazon and Flipkart are yet to provide information around the share of red zone orders, total order volume etc. Queries were sent to both companies.

Snapdeal reported 65 per cent share of red zone orders out of the total orders it received on Monday — day one of the current lockdown. This also led to around 2.4X growth in order volume for Snapdeal during the day from the previous 15 days.

"The strong resurgence of demand on day one of the expanded operations, including in red zones, reflects the massive and immediate requirements of users who have had no option to buy what they need for the last nearly two months," Rajnish Wahi, Senior Vice President, Snapdeal had told Financial Express Online.

The revival in demand for non-essential goods has largely come from metros and Tier-I cities that are in the red zone such as Delhi, Mumbai, Bengaluru, Patna, Chandigarh, Ahmedabad, Faridabad, Indore, Pune, Ludhiana, Jaipur, Chennai, Hyderabad etc. An e-commerce seller for kitchen products told Financial Express Online that "the demand suddenly picked up from Tuesday morning. There might be a good number of orders for coming few days or weeks but only time will tell whether it will further grow from here."

Orders for consumer electronics, kitchen & home appliances, smart devices, laptops, phone accessories, apparel and more were received by sellers on Amazon, according to an Amazon spokesperson. Coolers and ACs, clothing, grocery, health and personal care products, beauty and sports were other products that consumers are looking for. Moreover, "laptops, books, headphones and computer accessories" continued to interest customers.

"Online retail orders will go through the roof even if the Covid cases continue to increase. There is high pent-up demand. Covid has instilled trust among consumers particularly those who were inactive or hesitant to buy online due to trust issues.

The change happened as they saw online delivery to be effective for medicine and grocery deliveries during current times. Those were already buying will buy more. E-retailers should indirectly thank Covid for creating much better belief among consumers in their system," Naresh T Raisinghani, CEO and Executive Director at India division of global consulting firm BMGI told Financial Express Online.

Source: financialexpress.com – May 20, 2020

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