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IBTEX No. 39 of 2018 February 23, 2018

USD 64.92 | EUR 79.85 | GBP 90.51 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18907	39550	**77.56**

Domestic Futures Price (Ex. Gin), February

Rs./Bale	Rs./Candy	USD Cent/lb
20010	41856	**82.08**

International Futures Price

NY ICE USD Cents/lb (March 2018)	80.54
ZCE Cotton: Yuan/MT (Jan 2018)	15,050
ZCE Cotton: USD Cents/lb	**90.68**
Cotlook A Index – Physical	**88.70**

Cotton guide: Profit booking was witnessed after the surge in the last two trading session for ICE May Cotton futures. The front month ICE May contract posted a close at 79.47 cents per pound; down by 92 points from previous close. Yesterday movement was just a profit taking after the sharp surge in futures witnessed lately.

Since last Friday the cotton price had advanced over 400 points highest gain in last few months. The major reason as cited in our previous report is huge short squeeze in the front month contract ahead of its 1st notice period and general rebounding in the price.

Further mills still have unfixed positions to cover and the speculators have started to add fresh long positions after the recent decline in both March and May contract from around 84.50+ to 75 cents respectively are supporting cotton price to trade on a stronger note.

Also on the technical front market has breached 80 cents indicating the momentum may continue to remain on the positive side and possibly move towards 82 cents with the immediate support of 79 cents.

Interestingly the December 2018 contract has posted a positive close at 76.40 cents. We believe as long as next year crop trades comfortably above 75 cents the market scenario is considered to be healthy and possibly market may remain on a positive trajectory unless clarity fetched for next year's supply number.

Coming onto trading front the volumes were more or less stable around 50K contracts marginally lower from previous day's figure while the open interest gained by 1K in last trading session. Overall open interest held around 253K contracts.

Coming onto domestic market the spot price for S6 variety which was at Rs. 39700 per candy has moved up by 300 points from Wednesday's close. We believe general mills buying at lower levels and international market moving higher may have supported cotton price to trade strong in the domestic market to manage the parity.

Therefore; the futures price in India for February to April have advanced. For reference February which is due to expire this month end has advanced to closed at Rs. 20030 per bale while March and May ended at Rs. 20330 and Rs. 20590 respectively.

For the day we expect cotton price to trade sideways to positive and the trading range would be Rs. 20150 to Rs. 20400 per bale for the MCX Mar futures.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

China to stay key apparel sourcing hub for global buyers

China has eight major categories such as garment, cotton fabrics, chemical fabrics, wool fabrics, silk fabrics, knitted fabrics, textile machinery and bestfibre.

And production capacity of all categories is exceptional by world standards. Data from China Textile Industry Development Report (2014/2015) reveal textile fibre production in China was over 50 million tonnes, accounting for 54.36 per cent of world's share.

As much as 64.2 per cent of the world's chemical fibres, 64.1 per cent of synthetic fibres and 26.2 per cent of cotton were produced in China.

On the other side, apparel production in China touched 29.9 billion units in 2014, which is 10.4 per cent higher when compared to 2013. Chinese production figures give a clear indication the country will remain the top apparel-sourcing country for international buyers.

Data from International Trace Corporation (ITC) World Trade Organization (WTO) show the total value of China's apparel and accessories exports was $147.79 billion in 2016 which was $162.35 billion in 2015 and $173.44 billion in 2014 and $165.04 billion in 2013.

The data clearly indicated Chinese apparel exports recorded a steep growth rate till 2014 and post '14 recorded a steep decline.

In 2014, Chinese international apparel export was the highest within two years it has lost 14.79 per cent of its exports.

Source: fashionatingworld.com- Feb 22, 2018

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Now, Asia heads world apparel retail

The era of North American and European dominance of retail sales for apparel is ending. Asia has taken the lead in retail. In 2018, the changing retail industry will continue to be unpredictable, which is now the new normal. The good news is the industry can look forward to solid sustained growth in 2018.

The top 20 per cent retailers globally provide nearly 150 per cent of the economic profit of the world's retail industry. The largest retailers are forecasted to control an even larger stake in global economic profits in 2018 through their scale and dominance.

Greater personalisation by retailers, both online and in brick and mortar retail, will occur in 2018. Consumer values will be understood by artificial intelligence; AI will then be used to tailor recommendations, engage purchasers, influence and personalise purchasing decisions.

In the year ahead more data on each of us will be used to create a purchasing experience custom-tailored to our expectations, likely without our knowledge.

Online platforms will become the consumer's obsession before stepping out of their home to make any purchase. The decisions we make as consumers will be made and will take place on our mobile technology.

In 2018, mobile technology will become even more important to consumers for both online and brick-and-mortar retail businesses.

Source: fashionatingworld.com- Feb 22, 2018

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Vietnam to realise opportunities created by economic integration

Reporting on Vietnam's international economic integration in 2017, Deputy Minister of Industry and Trade Do Thang Hai said that 2017 marked the 22nd anniversary of Vietnam's accession to ASEAN and the 50th anniversary of ASEAN. Vietnam successfully hosted the APEC Year2017, significantly contributing to expanding cooperation and promoting international economic integration in Asia-Pacific.

In addition to promoting integration through negotiations and its participation in international economic cooperation programmes, Vietnam continues to promote domestic integration through the implementation of its commitments on international economic integration, institutional reform, economic restructuring and growth model innovation.

The nation has ratified ten bilateral and multilateral trade agreements with regional and international partners, including the ASEAN Free Trade Area, five FTAs within ASEAN+1 (China, Japan, India, Australia, and New Zealand), and four bilateral FTAs between Vietnam and Japan, the Republic of Korea, Chile and the Eurasian Economic Union.

In addition, Vietnam has principally completed its FTA negotiations with the EU, along with ASEAN signing the FTA with Hong Kong (China) in November 2017. The country continues to negotiate the Regional Comprehensive Economic Partnership, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and bilateral FTAs with Cuba and Israel.

As such, Vietnam has been negotiating FTAs with roughly 60 economies, including key trading partners that hold approximately 90% of Vietnam's trade. Moreover, it has more than 200 trading partners around the globe, with 29 export markets and 23 import markets reaching more than US$1 billion.

According to the Minister of Industry and Trade Tran Tuan Anh, 2018 will continue to be a strong year for integration. The implementation of the FTA's has positively contributed to the economic development and expansion of the export market, while helping Vietnam to participate more deeply in the global value chain and production network, as well as changing the economic structure in a positive way and improving the business environment and competitiveness. If the FTAs are synchronously implemented and effectively exploited, Vietnam has a great opportunity to make full use of the benefits from such agreements, he added.

Taking initiative to grasp the opportunity

There is no denying the achievements that have resulted from the integration process. However, according to the Inter-ministerial Steering Committee for International Economic Integration, Vietnam has not yet made effective use of the opportunities brought about by international economic integration due to the limited coordination among ministries and branches at all levels, in addition to inadequate knowledge on integration from enterprises, such as the lack of information on global markets, international law and the business environment in foreign countries. Local enterprises are small in terms of scale and weak in capacity, links and trademarks, without having a long-term strategy, making it difficult for them to compete on their "home field."

In fact, Vietnam has a difficult task so that the opportunities for international integration are not transformed into challenges. Enterprises need to be proactive in seizing opportunities and connecting with partners to expand their export markets, as well as improving their capacity and access to the global chain. According to Chairman of Ninh Thuan provincial People's Committee Luu Xuan Vinh, the current stage requires localities to actively and positively take advantage, while minimising the negative impacts from the international economic integration process.

Sharing the same view, Minister of Industry and Trade Tran Tuan Anh frankly pointed out that localities should attach significant importance to integrating the implementation of action programmes into specific local plans that are suitable to the practical conditions in each locality. Especially, it is necessary to continue disseminating information on and guiding the implementation of commitments on international economic integration for localities, enterprises and people. It is also crucial to encourage broader and more active participation of the private sector, industry associations, social organisations and people in understanding and implementing the integration commitments.

Deputy Prime Minister Vuong Dinh Hue said that in 2018 there will be fundamental changes in economic restructuring, in which international economic integration will be the core. This is a consistent and thorough policy, requiring a strong transformation in integration. He stressed the need for effective preparation, especially in capacity, for implementing FTAs, focusing on improving product competitiveness, perfecting institutions, and adapting to integration, especially in areas with fierce competition.

Integration is profitable in terms of tariffs, but it results in lower budget revenues, so domestic tax adjustments are mandatory but should be part of the strategy to prevent the erosion of the tax base, he said, adding that integration creates tax benefits but also obstacles from non-tariffs, requiring the harmonisation of procedures and coordination between countries to create favourable conditions for businesses' development.

The international market and trade volatility is expected to increase in the near future, with some major trading partners adjusting their strategies. Therefore, it is necessary to strengthen the research and forecasting of new issues within the "new generation" FTAs and the new trend of regional cooperation shift within ASEAN and WTO, in which it is necessary to maximise the use of technical assistance and consultancy mechanism.

Source: nhandan.org.vn- Feb 22, 2018

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Sri Lanka December 2017 trade deficit surpasses US$ 1 billion mark despite double-digit growth in exports

Despite a double-digit growth in exports surpassing US$ 1 billion for the fifth time in the year, Sri Lanka's trade deficit also widened to exceed US$ 2 billion mark in December 2017, according to the Central Bank data released in its External Sector Performance Review on Thursday.

Although earnings from exports increased at a higher rate, the increase in import expenditure resulted in widening the trade deficit in December 2017.

The trade deficit widened 7.5 percent to US$ 1.029 billion in December 2017 from US$ 957 million a year earlier. On a cumulative basis, in the year 2017, the trade deficit increased by 8.4 percent to US$ 9.62 billion from US$ 8.87 billion recorded for 2016.

Earnings from exports increased by 18.7 percent in December 2017 to US$ 1.02 billion from US$ 859 million earned in December last year. Earnings from textiles and garments exports contributed largely for this growth.

Recording the highest value for the year, earnings from textiles and garment exports continued to increase significantly in December 2017 with increased exports to the European Union (EU) following the restoration of the GSP+ facility in May 2017, according to the Central Bank.

On a cumulative basis, exports earnings during 2017 grew by 10.2 percent (year-on-year) to US$ 11.36 billion, with higher earnings from tea, rubber, garments, seafood exports, spices, petroleum products and minor agricultural products.

However, expenditure on imports also increased significantly by 12.8 percent (year-on-year) to US$ 2.05 billion in December 2017 from US$ 1.82 billion a year ago, particularly due to expenditure incurred for fuel imports as a result of significant increase in crude oil and refined petroleum products on account of the combined effect of higher prices in the international market and increased import volumes.

On a cumulative basis, import expenditure recorded the historically highest value of US$ 21 billion in 2017 largely due to higher imports of fuel and rice. Expenditure on imports during the 2017 grew by 9.4 percent (year-on-year) to US$ 20.98 billion from US$ 19.18 billion.

In December 2017, earnings from tourism increased by 8.8 percent to US$ 420 million as tourist arrivals increased in the latter part of the year. On a cumulative basis, earnings from tourism increased by 3.2 percent to US$ 3.63 billion during the year.

Workers' remittances declined by 1.9 percent to US$ 671 million in December 2017 from US$ 685 million a year earlier. The cumulative inflow from workers' remittances declined by 1.1 percent to US$ 7.16 billion during 2017, relative to 2016 reflecting the geo-political uncertainties and the continuation of subdued economic performance in the major remittance generating destinations.

Reflecting the favorable developments in the external sector, the BOP recorded a surplus of US$ 2.068 billion in 2017, while gross official reserves of the country stood at US$ 8.0 billion as at end 2017 compared to US dollars 6.0 billion recorded at end 2016.

Meanwhile, the Sri Lankan rupee which depreciated by 2.0 percent in 2017, further depreciated by 1.6 percent against the US dollar in 2018 up to 21 February.

Source: colombopage.com- Feb 21, 2018

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Pakistan Textile Exporters Association Welcomes Decision Of European Parliament's Committee

Pakistan Textile Exporters Association (PTEA) has welcomed the European Parliament's International Trade Committee's decision that voted to approve continuity of preferential duties on exports for the next two years under Generalized System of Preferences Plus (GSP+) scheme for Pakistan.

In a statement here on Wednesday, Chairman Pakistan Textile Exporters Association Shaiq Jawed termed the approval from EU's committee for International Trade as a good sign for textile exporters and the economy as well.

He appreciated the Government's progress in promoting good governance and sustainable development that helped bring positive results of the second review of EU's preferential duties facility. GSP plus incentives helped Pakistan to build up its capacity to become more effective and competitive partner in international economics by opening new avenues of opportunities.

With this facility, not only Pakistan's market share had increased but exports to EU had also jumped from 4.54 billion Euros in 2013 to 6.29 billion Euro, he added.

GSP plus status had provided the Pakistan an opportunity to improve its relations with EU in terms of not only trade but also economic and political relations.

This had contributed to reduction of poverty and promotion of sustainable development and good governance by giving a boost to the trading industry, he added. Terming textile export sector as major beneficiary of duty waiver facility, he said that overall textile exports surged to 4.87 billion Euro in 2016 from 3.14 billion Euros in 2013, which represented an increase of 54.8 percent.

The exports of textile apparel and knitwear had grown from 1.4 billion euro to 2.47 billion Euros in 2016, indicating an increase of 76.4%. The second biggest share went to home textiles which surged to 1.56 billion Euros from 980 million Euros, representing an almost growth of 60%.

The export of cotton, fabric and yarn also increased from 739 million Euros to 805 million Euros increasing by 9 percent, he added.

Source: urdupoint.com - Feb 22, 2018

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Bangladesh clothing manufactures in dire straits

Bangladesh RMG makers are facing tough times as they ask for a fair price. Further, they are in continuous pressure from international buyers to improve working conditions on shop-floor post the Rana Plaza building collapse in 2013.

Domestic apparel makers say more than $1 billion has been invested to renovate and retrofit their factories as per the demand of Western buyers, retailers and brands.

Despite this fact, retailers and brands have not increased their price. Purchasers are still paying the traditionally low prices for products and garnering enormous profits. A shirt costing $3 or $5 is being sold for around $25 to $30.

Ditto for high-end value added products, which is 30 per cent of the total volume of garment items, exported per annum from Bangladesh. MNCs pay around $8 to $12 to local manufacturers for a piece of value added high-end shirt and retailers sell the same shirts for around $100 to $150, garment makers said.

Manufacturers and economists assess that the faulty global supply chain is the culprit.

Economist Rehman Sobhan, highlighting this factor says the current business model forces suppliers to squeeze their workers as much as they can because they have to produce the shirt at $5. There needs to be investigation into this matter to resolve issues faced by manufacturers.

Source: fashionatingworld.com- Feb 22, 2018

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Pakistan: Between FATF and GSP Plus

Two parallel developments in the past few days perfectly illustrate how Pakistan's economic diplomacy is caught between a rock and a hard place. On Tuesday, Pakistan narrowly missed being grey-listed by the Financial Action Task Force (FATF) as a country whose financial system presents terror financing and money laundering risks to the international financial system. Also on Tuesday, the EU agreed to extend GSP Plus status to Pakistan's products for another two years, subject to review, meaning another short lease on life to our sagging exports.

Let's get one thing straight first. In both cases, very good people worked long and hard to bring about the outcome. It took very hectic diplomacy by a team including Miftah Ismael and Khawaja Asif among others to line up three countries that were willing to vote against the motion introduced by the Americans, the UK, France and Germany to grey-list Pakistan's financial system in FATF.

And the secretary commerce, Younus Dagha, led the efforts with the EU to get our GSP Plus status renewed. All of them deserve acknowledgement for their efforts, and nothing of what follows is intended to detract from their contribution.

But take a look at what we are celebrating. On the one hand, we narrowly missed getting labelled as a country that harbours terrorist individuals and groups, and thereby getting slapped with a tag that would make our external financial dealings very cumbersome and expensive, for starters.

On the other hand, we are celebrating being extended a privilege that has been designed as assistance to some of the poorest countries in the world, where we find ourselves in the company of states like Armenia, Bolivia, Mongolia, Cape Verde. The saving grace, perhaps, is that Sri Lanka and the Philippines are also on this list.

None of these countries takes pride in being a nuclear power. None of them harbours outsize ambitions and great game-like fantasies. And if any of them ever landed on the FATF grey list, it was most likely for institutional weaknesses in the regulatory framework, as well as legislation designed to curb terror financing and money laundering, not for harbouring groups and individuals who have been designated as terrorists by the United Nations for well over a decade.

Why are we even asking for entry into the GSP Plus regime? For the simple reason that we have been unable to put in place the right reforms to diversify our exports away from cotton textiles for decades now, and our economic diplomacy consists of little more than seeking financing from multilateral lenders and entry into preferential trade regimes on the grounds that we are either desperately poor (which we are not) or badly impacted by terrorism (which we are, but then why selective action against the myriad terrorist groups who set up shop on our soil?).

The review mission from the Asia Pacific Group, that was going to report Pakistan's compliance to FATF in implementing UN Security Council Resolution 1267 which lists all those individuals and groups that the world body has designated as terrorists, was arriving in January. A review was scheduled for November 2017, in Buenos Aires, Argentina. And in August of 2017, the individual at the centre of the entire controversy with FATF founded his own political party, the Milli Muslim League.

In September the party fielded its first candidate in a by-election in NA-120, Lahore. The candidate, Yaqoob Shaikh, is himself on a US government list of sanctioned individuals for their connections to terrorism. He bagged five per cent of the votes cast. In November, Hafiz Saeed was released from house arrest since the government insisted on holding him under the Maintenance of Public Order Ordinance so they could detain him legally without charge. And in December he inaugurated his party office in Lahore, plastering the city with posters advertising their arrival.

So the road to the motions placed before FATF ran parallel to an attempt to bring into the political mainstream a group that is considered by the United Nations to be a terrorist entity. The whole world watched this unfold. 'He's on Wanted Posters in US, and Campaign Posters in Pakistan' ran a headline in the New York Times in September. 'Pakistan army pushed political role for militant-linked groups' ran another story in Reuters. And so on.

This was the road to Paris, that ended on Tuesday when three countries, we are told, refused to support the motion advanced to grey-list Pakistan's financial system, giving the country an additional three months 'reprieve' to demonstrate that it is serious about ensuring that its financial system does not end up handling funds that can be traced back to designated groups or individuals, leaving the financial system at risk of being levied with heavy fines.

This is the story of Pakistan's economy. It is because of priorities of this sort that our reform agenda has never advanced, why our exports remain stuck in a primitive mould, why our tax base is so narrow, productivity below that of our competitors and so on. It is because the top levels of our government, whether civil or military, have always been consumed with finding ways to walk both sides of the aisle at the same time, to have a foreign policy that is built on telling the world all the sacrifices that the country has made in the fight against terror, while the world watches groups designated by it as terrorists being nurtured, and in the latest instance, actively mainstreamed.

Look at how much of the effort our leading economic team had to expend just getting past the FATF review, and the other side, where our commerce folks were in Brussels, asking for access to the EU market on terms designed for some of the poorest countries on earth. This double play, growling at the creditors and benefactors one day, asking them for favours the next, is the state of play on our economic diplomacy.

Source: dawn.com- Feb 22, 2018

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Egypt: Cotton exports decline by 36.7%: CAPMAS

The Central Agency for Public Mobilization and Statistics (CAPMAS) announced that total cotton exports fell to 128.3 thousand quintals during the first quarter of the 2017-2018 agricultural season, compared to 202.5 thousand metric quintals during the same period of the previous season, thus recording a decline of 36.7 percent.

The CAPMAS attributed this decline to decreasing area cultivated with cotton.

CAPMAS added in its quarterly bulletin on cotton for the year 2017-2018 that the total quantity of cotton consumed domestically has reached 44.5 thousand quintals during the period (September / November 2017) compared to 107,000 quintals in the same period of the previous season, declining by 58.4 percent, as some cotton mills stopped production.

The quantity of treated cotton rose to 515.9 thousand metric quintals during the same mentioned period, compared to 263.8 thousand quintals during the same period of the previous season, recording an increase of 95.5 percent. This increase is due to the accumulation of the crop from the previous season, according to CAPMAS report.

Source: egyptindependent.com- Feb 22, 2018

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NATIONAL NEWS

Textile sector profitability likely to get boost on lower cotton prices, says Ind-Ra

The profitability of the textiles sector is likely to be supported by lower cotton prices and latest recovery in demand, report by India Ratings and Research (Ind-Ra) said. In wake of softening in cotton prices, improved consumer spending outlook in key user countries, the margins will expand which will in turn help in increasing profitability.

The low base effect of FY18 will also help, as per the report. Demonetisation and GST implementation effect had started to fade in the second half of this year. Better margins, modest reduction in working capital requirements and subdued capex in FY19 will improve the overall credit profile, report said.

The probable impact of pink ballworm on cotton produce and possible increase in the prices of crude has constrained the outlook of textile sector. As the crude price increases, the spread between cotton and synthetic yarn narrows and fastens speed of switch from cotton textiles to synthetics.

The fluctuations in the crude prices and delays in passing cost inflation may affect the operating margins of synthetics manufacturers. Nevertheless, these challenges are likely to be neutralised by the encouraging growth in demand on year-on-year basis, the report said.

At 19 percent, that is higher than expected surge in cotton acreage and consequent 11 percent increase in crop production in FY17-FY18 are likely to moderate cotton prices in FY19, the report says.

The pinkworm issue may not be able to have much impact. The global stock-to-use ratio for cotton, increased to 56 percent in FY18 from 47 percent in FY17, although Chinese inventory declined 17 per cent year on year, the report said.

Source: financialexpress.com- Feb 23, 2018

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Anti-dumping duty likely on chemical imported from China, Turkey

The government is likely to impose anti-dumping duty of up to USD 211 per tonne on a chemical used in textiles and pharma industry, imported from China and Turkey for a period of five years.

Imposition of the duty on 'Dimethylacetamid' would provide level-playing field to the domestic industry and also guard them from cheap imports.

Following complaints from domestic companies, the Directorate General of Anti-dumping and Allied Duties (DGAD), under the commerce ministry, investigated the matter.

In its final findings of the probe, the directorate has concluded that the product has been exported to India from these two countries below normal values, and due to this the domestic industry has suffered material injury.

The authority recommends imposition of definitive anti-dumping duty so as to remove the injury to the domestic industry," the DGAD said in a notification.

DGAD has recommended the duty in the range of USD 48 per tonne and USD 211 per tonne. The finance ministry takes the final call on imposition of the duty.

Rashtriya Chemicals and Fertilizers Ltd and Balaji Amines Ltd had filed the application for initiation of the anti-dumping investigations.

Countries carry out anti-dumping probe to determine whether their domestic industries have been hurt because of a surge in cheap imports.

As a counter measure, they impose duties under the multilateral regime of WTO.

The duty is also aimed at ensuring fair trading practices and creating a level-playing field for domestic producers with regard to foreign producers and exporters.

India has already imposed anti-dumping duty on several products to check cheap imports from countries including China, with which India has a major concern of widening trade deficit.

The deficit with China stood at USD 36.73 billion during April-October this fiscal.

The country has imposed the duty on as many as 98 products, as on December 27 last year, imported from China.

Source: moneycontrol.com- Feb 23, 2018

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Ikea to invest Rs 3,000cr in Maharashtra for stores, experience zones

Swedish furniture retailer Ikea will invest Rs 3,000 crore in the state over the long-term to set up multi-format stores as well as experience centres. “We will be investing close to Rs 3,000 crore over the long-term in the state to set up multi-format stores. We will also open experience centres in Mumbai going forward,” Patrik Antoni, deputy country manager, Ikea told reporters here.

He indicated that the Maharashtra operations will be key for the company, and hence it has allocated sufficient funds to develop the market here.

Initially, the company had earmarked Rs 10,500 crore to open about 25 stores in the country by 2025.

“Now that we have been working to open a few stores, we could increase the investments here going forward,” he said, informing that Delhi-NCR would be another key market for the company.

The retailer has already committed to invest Rs 750 crore over the next 2-3 years in setting up its first distribution centre in Pune.

When asked about the delay in opening the first Ikea store in Hyderabad, which was slated to open early 2018, he said that the company was focusing on safety of workers, and quality of the construction. "We will open it in the next few months," Antoni added.

It is also looking at job creation, as each store would engage about 2,000 coworkers, of which 800 at least would be directly employed, according to a company release.

Speaking about increasing the sourcing from the country as well as from the state, Maharashtra market manager Per Hornell said that the company is already working with suppliers in the areas of textiles and plastics.

Globally, India accounts for about 3 per cent of the retailer's total sourcing. "Ikea currently sources from 11 suppliers in Maharashtra in categories such as textiles, including carbon steel, metal and plastics," Hornell said.

The company is also looking to partner with state governments to source local sustainable raw materials including bamboo, jute, rubber wood, banana barks, coir etc, he informed. Last year, Ikea India had committed to double its local sourcing from Euro 318 million to Euro 600 million by 2020.

Source: financialexpress.com- Feb 23, 2018

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GST blues for exporters

Refund delays, with respect to IGST and input tax, have hit small units

More than eight months after the introduction of GST, exporters remain cash-strapped for working capital; this is despite assurances made by the Centre last October-November that the process of granting refunds for input tax credit (ITC) and IGST would be expedited.

Given that exports of goods and services account for about 20 per cent of GDP and are characterised by labour intensity and a high working capital to sales ratio, this is no small matter. Indeed, the impact, as this month's RBI paper titled 'Working Capital Constraints and Exports:

Evidence from GST rollout' points out, "Petroleum and gems and jewellery have the highest working capital/sales requirement (above 60 per cent) and they were hit the most during October... Meat, dairy and poultry... have low need for working capital (19 per cent) and saw one of the smallest decreases in exports growth." Textiles, leather, tea, electronics and plastic fall roughly in the 35-45 per cent range, while engineering goods have a higher ratio of 47 per cent; coffee, tobacco, ceramics and ores and minerals are in the 50-55 per cent range. It is disturbing that glitches have persisted for so long.

The biggest inconvenience of all for exporters is that they still have to apply offline for IGST and ITC refunds at their nearest tax office, after entering the refund due to them online. This is a software lapse. Since IGST issues need to be referred to the Centre, offline applications take time to be processed.

Besides, delays arise when Customs officials point to discrepancies between the Export General Manifest and shipping bills. This is because the IGST amount may not be mentioned in the former, as the exporter may not be required to do so.

Delays in processing of claims are also on account of inputting errors such as the wrong bill number or amounts being entered. Here, too, the software does not easily allow for corrections. These issues must be settled urgently. That the GST process, according to Economic Survey 2017-18, has increased the number of unique indirect tax payers by 3.4 million is remarkable, but in doing so businesses should not be pushed to the wall.

Small businesses, which account for a major part of the export universe, are being made to invest a disproportionate amount of time, money and resources on GST compliance. The filing of summary returns on a monthly basis, with more detailed returns being filed on a half-yearly or annual basis, would help businesses breathe more easily.

The persistence of red tapism in the exports sector does not sit well with the Centre's otherwise well-earned reputation of having generally eased the conduct of business. Acknowledging the role of small units, the Survey observes that "India's exports are unusual in that the largest firms account for a much smaller share of exports than in other comparable countries". The Centre must address the concerns of small units quickly.

Source: thehindubusinessline.com- Feb 23, 2018

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Centre plans yarn depot with UP: Smriti Irani

Union textiles minister Smriti Irani announced a Centre's proposal to set up a yarn depot jointly with the state government, giving a further boost to the textile sector that has garnered proposals worth Rs 7,000 crore in the run-up to investors' summit that began on Wednesday.

Running short of time because her session began late, Irani said the PM says that all subsidies should reach the needy but whenever she spoke to weavers, she was told that they hardly received any subsidy.

"I propose to the state government that a yarn depot be set up in UP through which weavers can directly purchase yarn at subsidised rates," Irani said.

She also urged UP industry minister Satish Mahana and textile minister Satyadeo Pachauri to start negotiations with industrialists to restart closed knitwear mills.

She said the new textile policy was an inducement as many UP industrialists want to return to the state. Pachauri said that problems faced by mills in Kanpur, mainly due to trade unions, were now over.

Source: timesofindia.com- Feb 22, 2018

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Silk Board to explore full potential of mulberry silk

The Central Silk Board (CSB) is in the process of introducing new technologies to produce Iktat saris using pure silk spun yarn and also novel varieties of luxury wears by exploring less tapped potential of mulberry silk, according to Board Assistant Director Shankar Kotrannavar.

Besides these initiatives, the board is also making efforts to commercialise the technology of knitting fabrics using raw mulberry silk produced through automatic reeling machine, he told *The Hindu* while explaining the new initiatives being planned to promote silk.

Cluster

The technology to produce double Iktat saris using silk spurn yarn would be introduced in the textile cluster of Patola in Gujarat where the manufacturers were till now using raw silk and cotton to weave the iktat saris.

To produce winter garments using mulberry silk yarn, the board will be coming out with a new technology through a collaborative effort with the technocrats of the NIFT-TEA Knitwear Fashion Institute situated in Tirupur. “Till now, major concentration has been on winter wears using eri silk”, he said.

Overall, the board is also taking steps to promote technologies for making silk textiles by making the entrepreneurs realise how cost-cutting could be done in the production of such products, he said.

“Generally, people are sceptical to go for production of silk textiles since it was perceived to cater to only high-end consumer segment as the products were costlier. But drastic cost cutting at production level is possible”, pointed Mr. Kotrannavar out.

One option of cost-cutting propagated by the board these days was to blend silk with other natural fibres like modal, cotton, bamboo and linen.

Another idea was to go for double layer fabrics where the outer crust will be a thin layer of silk and inner layer was made with cotton thereby giving the customer gets the luxury of silk wearing and the comfort of cotton.
According to Mr. Kotrannavar, the board is also now trying to commercialise the silk denims and silk knits developed recently through research by a hand-holding initiative with entrepreneurs.

Source: thehindu.com- Feb 22, 2018

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Indian denim mills working below capacity

The Indian denim sector has been growing at an average of 12 to 15 per cent a year over the last 10 years. India is the second largest producer of denim fabrics after China. Of India's total denim production, nearly two-thirds is consumed by domestic markets.

The installed capacity is around 1500 to 1600 million meters a year against a consumption market size of only 800 million meters for the domestic garment making segment, and another 200 to 250 million meters for exports.

There seems to be a clear surplus of nearly 500 to 600 million meters at present, with the fear of an additional 100 million meters by the end of 2018.

Also, cheap imports of denim garments from Bangladesh and Sri Lanka have been a game spoiler for the domestic denim wear-making units. This has been the single most visible reason for the drop in capacity utilisation in the denim industry, by one third of capacity.

In most standard denim mills of three indigo lines, one line presently stands closed. In effect, such a standard denim mill produces around 50,000 meters a day against the installed 75,000 meters a day. With a slowdown in demand from global garment making hubs, it is unlikely that India will be able to increase its share in denim exports.

Source: fashionatingworld.com- Feb 22, 2018

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