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INTERNATIONAL NEWS

US seeks comments on tariff cuts for Chinese imports to aid coronavirus battle

The Trump administration on Friday said it was soliciting public comments on lifting additional tariffs on Chinese imports that could help the United States battle the coronavirus pandemic, showing some flexibility in its trade war against Beijing.

The U.S. Trade Representative's (USTR) office said it would allow members of the public, businesses and government agencies "to submit comments if they believe further modifications to the (Section) 301 tariffs may be necessary."

It said the move was part of an effort "to keep current on developments in our national fight against the coronavirus pandemic."

The USTR has in recent weeks granted "Section 301" tariff exclusions for certain medical products from China, including medical masks, examination gloves and antiseptic wipes.

But as it battles to try to keep the U.S. economy from collapsing amid quarantine orders and halted commerce, the Trump administration so far has been resistant to broader removals of tariffs imposed over the past 20 months on some $370 billion worth of Chinese imports annually, despite calls from industry that this would be an instant tax cut worth tens of billions of dollars.

Trump considers his trade pressure on China among the biggest achievements of his presidency and a top argument for re-election in November.

The trade war has hit a vast range of Chinese goods with tariffs, from machinery and chemical feedstocks to semiconductors, printed circuit board and consumer goods.

In return, China has hit U.S. farm and other products with retaliatory tariffs, but has pledged to vastly increase purchases of these goods under a "Phase 1" trade deal that took effect Feb. 15.

USTR did not specify a deadline for submitting comments to a federal website.

"This comment process does not replace the current exclusion process and supplements that process," USTR said. "Submissions are limited to comments on products subject to the tariff actions and relevant to the medical response to the coronavirus."

Source: cnbc.com-Mar 21, 2020

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Production facilities 'essential': US textile bodies

The US textile and nonwoven associations have issued a joint statement urging federal, state and local governments to deem textile and nonwoven manufacturing facilities as 'essential' when drafting 'Shelter in Place' orders, in response to the COVID-19 crisis, as such a designation will help to avoid disruptions of vital goods and services.

"Our associations recognise the serious challenges our elected officials, health administrators and others are facing when issuing orders to protect communities across the country and we understand the necessity for leaders to enforce a 'Shelter in Place' order or quarantine orders, said the associations in a joint press release.

"Our members make a broad range of inputs and finished products used in an array of personal protective equipment (PPE) and medical nonwoven/textile supplies, including surgical gowns, face masks, antibacterial wipes, lab coats, blood pressure cuffs, cotton swabs and hazmat suits. These items are vital to the government's effort to ramp up emergency production of these critical supplies.

If workers who produce these goods are not granted an 'essential' exemption from 'Shelter in Place' and other quarantine orders to go to their manufacturing and distribution facilities, it will cause major disruptions in the availability of these goods. This will create significant hardship to healthcare providers and consumers across the country who depend on steady and stable supplies of these critical items.

We are asking the administration and state and local authorities to provide greater certainty and clarity for our companies and employees and ask for a clear exclusion of our manufacturing operations from 'Shelter in Place' orders as the textile and nonwoven products that we make in the US play an essential role in mitigating the shortages of critical supplies. Such a designation will help us avoid disruptions of vital goods and services during this challenging time."

NCTO is a Washington, DC-based trade association that represents domestic textile manufacturers, including artificial and synthetic filament and fibre producers.

INDA, the association of the nonwoven fabrics Industry, serves hundreds of member companies in the nonwovens/engineered fabrics industry in global commerce.

The Industrial Fabrics Association International is a member-owned, member-driven trade association representing the global industrial fabrics industry since 1912. IFAI invests more than $8 million each year to advance the industry and support member companies.

Source: fibre2fashion.com-Mar 21, 2020

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Nigeria: Manufacturers seek bail out for textile industry

The Nigerian Textiles Manufacturers Association (NTMA) has called on the Federal Government to provide a recovery package for the industry to revive it and engender its sustainable development.

NTMA President, Folorunsho Daniyan, said the problems facing the industry were multi-faceted and required comprehensive solution. According to him, the problems include lack of sufficient electricity supply, counterfeiting and smuggling. Experts said if smuggling was reduced by 20 per cent, about 40 textile firms would come back.

He expressed optimism that with continued advocacy and increased support by the government, the sky would be the limit for the industry, adding that a viable textile industry could provide jobs for thousands of Nigerians.

A major problem in the textile industry is cost of energy – cost of gas for those in the south and black oil for those in the north that are yet to be connected to the gas pipeline. The government recently approved gas tariff for textiles which is yet to come into full operation," Daniyan said.

He however praised the government for its commitment to reviving the industry with the various intervention programmes.

According to him, the Central Bank of Nigeria (CBN) has been doing a lot through the banning of forex to textile traders, adding that the Customs should support them to realise that objective.

"We are advocating that the government set up a textile task force to combat smuggling of textiles as recently done in Ghana. A minimum value should be fixed for textiles coming into Nigeria, as it is ridiculous for textiles to sell at N700 most of which are not healthy for the skin," Daniyan said.

The textile industry, which used to have about 95 companies has been one of Nigeria's largest and oldest manufacturing sectors, rated third in Africa behind Egypt and South Africa in terms of employment and exports.

Source: thenationonlineng.net-Mar 20, 2020

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Europe Retailers Cancel $1 Billion of Bangladesh Garment Orders

European and U.S. buyers including Primark, the budget fashion chain owned by Associated British Foods Plc, have canceled about $1 billion of Bangladesh garment orders as the coronavirus outbreak roils demand.

As many as 347 Bangladesh garment factories have seen orders getting scrapped, Asif Ibrahim, director at the Bangladesh Garment Manufacturers and Exporters Association said.

While Bangladesh, the world's biggest garment exporter after China, has been relatively unscathed with 27 virus infections, order cancellations may hit the economy hard. Readymade clothing factories employ 4 million people and the industry accounts for 13% of the South Asian nation's gross domestic product.

"I urge you all to kindly steer through this crisis together," Rubana Huq, president of the exporter' group wrote in a letter to retailers urging them not to cancel orders. "Let the production go on. In case of urgency, we can accept deferred payment."

The order cancellations are a set back for Bangladesh, which has been making steady economic gains with growth set to expand more than 7% for the fifth straight year, as per pre-virus forecast from the International Monetary Fund.

The administration headed by Prime Minister Sheikh Hasina has spearheaded policies that had boosted per-capita income -- estimated by the IMF to $1,906 last year -- was almost on par with India's $2,172.

Primark which has no online sales, is using a force majeure clause in its contracts to cancel orders, Britain's Sunday Times reported citing Chief Executive Officer Paul Marchant. Primark operates 376 stores in 12 countries.

"For Bangladesh, the main exposure is reliance on exports to Europe and the U.S., which are likely to slow sharply," Moody's Investors Service said in a statement on Thursday keeping the nation's credit rating at Ba3, a junk rating. "However, Moody's expects the shock to be temporary, with supply chains and demand starting to recover later this year."

The global number of coronavirus cases doubled in a week to more than 300,000, with about 13,000 dead.

The slowdown in the U.S. -- JPMorgan Chase & Co. expects gross domestic product to shrink at an annualized rate of 14% in the April-June period -- and Europe may delay Bangladesh's goal of doubling total exports to $72 billion by 2024.

Source: bloomberg.com-Mar 23, 2020

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Bangladesh: Garment factories to stay open

Production units of garment factories are allowed to be kept open albeit with adequate safety measures against the spread of the novel coronavirus, reiterated the government yesterday.

The decision came at a tripartite meeting of union leaders, factory owners and government higher ups at Srama Bhaban in Dhaka with Begum Monnujan Sufian, state minister for labour and employment, in the chair.

The same decision was taken by the trio on Saturday.

Sufian in a statement said it is not yet time to shut the factories down; rather, production units should stay open with adequate safety measures to protect workers from COVID-19.

"We have strengthened the safety measures for the workers to protect them from coronavirus," said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The workers are being provided with masks.

"Workers come first. And then us. Global scene is killing us. Without export, we will be facing tough uncertainties. We support 4.1 million people and their families. Pray so that we can continue doing that," Huq said in a WhatsApp message.

Until 5:00pm yesterday, 385 factories had work orders worth $1.05 billion cancelled by international retailers, according to the BGMEA.

Sirajul Islam Rony, a former workers' representative for garment workers' minimum wage board, in the meeting said he supported keeping the factories open.

If the factories are closed down now, the workers will face big trouble as they will not have money in their hands.

"In the greater interest of the workers I supported keeping the factories open," he said after the meeting.

Amirul Haque Amin, president of the National Garment Workers Federation, suggested keeping the garment factories open with safety gears for workers in place.

For instance, electronic thermal scanning machines can be installed in front of every garment factory to identify workers suspected of being infected with coronavirus.

Moreover, the factory owners will have to provide face masks and other necessary safety gears to workers so that they can continue working in the factories while the coronavirus pandemic persists, he added.

He also suggested meetings be held amongst the government, buyers, owners and workers to resolve any related crisis.

During such a critical moment, overtime should be stopped and workers should just run their normal working hours, he said.

Meanwhile leaders of Sramik Karmachari Oikya Parishad (SKOP), in a meeting at Sromo Bhaban, also decided in favour of keeping factories open. Holding an emergency meeting with Sufian later on, they conveyed some demands.

The SKOP, a platform of 11 labour rights bodies, demanded ensuring proper protective measures in all industrial units, including garment factories, across the country to protect workers from getting infected with COVID-19.

They also demanded rationing of daily essentials and medicines for workers alongside quarantine arrangements, if needed, at industrial zones.

The platform requested that monthly wages be ensured in full if the government was forced to announce factory closures due to the coronavirus pandemic.

The SKOP leaders also demanded an emergency fund worth Tk 50 billion for workers and formation of a taskforce comprising representatives of workers, owners and the government.

Source: thedailystar.net- Mar 23, 2020

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Bangladesh: Order cancellation in RMG warns of tough times ahead

Bangladesh's economy is bracing for a serious impact as the country's lifeline—the RMG sector—is now facing threats from both the buyers' and suppliers' ends, thanks to the global outbreak of the deadly coronavirus.

Global buyers have so far cancelled or put on hold their orders of readymade garment products worth some USD 137.85 million from Bangladesh as many fashion brands have shut their stores in Europe and North America on account of the coronavirus outbreak.

Initially, after the COVID-19 outbreak occurred in China in January, it was assumed that Bangladesh would benefit, as most of the global brands were planning to shift their export orders from China to other RMG manufacturing countries like Bangladesh, Vietnam, India, Indonesia and Cambodia.

But as more than 160 countries are battling this pandemic now, that edge of getting more export orders in the RMG sector because of the coronavirus outbreak in China has been eroded, putting the economy of Bangladesh in a vulnerable position as RMG contributes around 84 per cent of its total export earnings.

According to the data of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), last Thursday 110 RMG factories informed the trade body that they received cancellation or shipment delay notices from the buyers for the export orders worth USD 137.85 million.

Source: theindependentbd.com- Mar 23, 2020

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Vietnam garment makers struggle amidst cancelled orders

Vietnam garment makers are struggling as EU and US buyers are cancelling orders over the Covid-19 crisis. A French company recently canceled orders placed with garment maker TNG over the spread of the novel coronavirus in France. Now about 200 containers that were supposed to go to the E.U. and the U.S. will remain in the country by the end of next month, each of them worth around $100,000.

Garment company Than Duc Viet might have to stop some production chains because U.S. buyers have delayed their orders. Its sea shipments in March have been postponed to April and May, and buyers have asked to stop the ongoing production of hundreds of thousands of products.

COVID-19 has already been a blow for Vietnam's textile industry with producers struggling to source materials from China as factories there were shut down by the virus. Now that the supply chain has mostly been resumed, the industry faces the problem of selling to the E.U. and the U.S. where buyers have stopped ordering.

The EU on March 17 closed its borders for 30 days to contain the disease. Although the ban does not apply to goods, Vietnamese officials expect exports to the bloc to fall by up to 8 per cent in the first and second quarter due to lower demand.

Source: fashionatingworld.com - Mar 21, 2020

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HanesBrands to make millions of face masks amid coronavirus outbreak

HanesBrands is converting the production of apparel to the production of cotton masks approved by the Federal Drug Administration. According to a statement from the company, HanesBrands is manufacturing the masks under contract with the U.S. federal government.

President Donald Trump announced the move in a coronavirus press briefing on Friday.

A HanesBrands spokesperson told WFMY News 2 that the company was asked by the U.S. Department of Health and Human Services on Friday, March 13 if it could begin creating cotton face masks to address shortages.

"We started initial production in the last few days. It will take weeks to ramp up. We want to ramp up to about 1.5 million masks per week," said Matt Hall, HanesBrands communication director. "We've got people working around the clock tirelessly to make this happen."

The company has joined other major apparel manufacturers that are dedicating manufacturing capacity to meet the U.S. need for masks during the COVID-19 crisis.

So far, the production of the masks has been a huge success according to the written statement WFMY News 2 received from the company.

"The dedication and expertise of HanesBrands supply chain and R&D employees allowed the company to progress from preliminary discussions with federal officials to product development, approval and startup of production in less than one week, a remarkable feat," the statement said.

The company plans to increase production, according to the statement.

"The company expects to ramp up to production of 1.5 million masks weekly, and the consortium as a whole is expected to ramp up to production of 5 million to 6 million masks weekly using HanesBrands' design and patterns," the statement said.

The first step to creating the masks was designing a prototype, which was then approved by the FDA in a matter of days.
HanesBrands is using cotton yarn spun made from U.S.-grown cotton by its partner Parkdale Mills America. HanesBrands is then using the yarn to make cotton fabric in its large textile manufacturing plants in El Salvador and the Dominican Republic.

From there its using the fabric to make the masks to specification in company-owned sewing facilities in El Salvador, Honduras, and the Dominican Republic. According to the statement, they are also working with other companies on the specifications on the FDA approved masks.

"In addition to Parkdale Mills America, HanesBrands is working closely with Fruit of the Loom, SanMar, Beverly Knits, the National Council of Textile Organizations, and other apparel companies to share product specifications and patterns for the FDA-approved masks."

The last time the company was involved in anything remotely similar was during World War II, according to the communications director. The company was involved in producing special vests for communication pigeons during the war.

Source: wfmynews2.com - Mar 22, 2020

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Pakistan: Incentive package

The prime minister has now announced formally that an incentive package is being prepared for industry to help them weather the severe disruptions in demand as well as their operations with the spread of the coronavirus.

From his points mentioned during his interaction with the media on Friday, we know that the construction sector and textile exporters are high on the list of industries that are in focus as the incentive package is hammered out.

The reasons he gave are that construction creates employment for daily wagers, a group that is high on his list of priorities, and textiles brings in foreign exchange. It is not known yet what size and shape this incentive package will take and more specifically how it will ensure that the group the prime minister is trying to reach is targeted; all this will be known only when the details have been made announced.

At the outset, though, it is important to underline that this is not the best direction to take. If the plight of the daily wagers in the event of a slowdown is the key concern here then the resources and energies of the state should be spent in quickly developing an income transfer scheme to put funds directly into the pockets of this group during a lockdown.

The Sindh government is already moving in this direction, and public-sector enterprises are drawing up lists of daily wagers who work for them to see if funds can be transferred to these people using mobile payments to help them weather a lockdown.

It is not difficult for the state to build such a database in a short period of time if it seeks out the cooperation of industry and labour leaders, as well as members of the research community who have experience working on social protection schemes.

It is true that industry needs support and it is also true that many developed countries are announcing stimulus packages for their economy. But as the top leadership itself keeps pointing out, Pakistan is a poor country and its response does not brook comparison with the examples that are cited. There is now little doubt that a surge of infected people is coming our way and in the middle of such an outbreak the hand of the state may well be forced into announcing and enforcing lockdowns.

This is the time to focus all our energies on preparing for the surge by strengthening public health systems, building targeted income transfer schemes to help the poor to weather the foreseeable lockdowns, and to ramp up public messaging on social distancing.

The federal government's response in all three of these areas is woefully inadequate. Focusing on transferring state resources to industrialists and property developers, especially in the name of protecting daily wagers, is the wrong direction to be heading in.

Source: dawn.com- Mar 23, 2020

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Bangladesh: BGMEA refrains apparel brands from cancelling orders

In a recent meeting with local buying offices of foreign brands, leaders from the BGMEA said no confirmed placed orders should be cancelled. For brands that would like to postpone orders, it directed them to partly pay for goods so that the factories would have funds to pay workers.

In its own concession to aid brands and retailers, BGMEA said factories would be willing to hold the goods until companies are ready to take them.

Brands and retailers in Bangladesh have been pulling back production orders as they face shrinking demand and closed stores that can't currently benefit from shipments of new product. In the last one week, an estimated $100 million in orders have been cancelled in Bangladesh,

These brands and retailers are asking vendors to outline what fabric is ready for production and what isn't, and cancelling orders for the latter. In some cases, they've agreed to delay use of the fabric, and in others, they're washing their hands of it entirely. They are also asking for discounts on previously placed orders.

Some buyers are asking their Bangladesh suppliers if they can pay for the products they are taking 30 days later than when the would have. In some cases, they want to make their payments to manufacturers—who already face cash flow challenges—even further out than that.

Brands and retailers are reducing their production receipts by as much as 75 percent through July, or in some cases, through August. And despite corporate social responsibility efforts and aims, most companies have been focused on saving themselves as times get tough amid the COVID-19 pandemic, over considering the well-being of the workers who have been making the clothes to drive their earlier successes.

Source: fashionatingworld.com- Mar 21, 2020

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Pakistan: Textiles in shambles as coronavirus locks countries down

Covid-19 has forced lockdowns across much of Europe and South-East Asia, as well as in parts of the US, as countries scramble to contain the spread of the disease by ordering people to not leave their homes except in emergencies or to shop for necessities.

People in most places — even in countries where strict lockdowns are yet not enforced — have stopped non-essential spending as the situation is still evolving.

The lockdowns and falling sales have compelled a raft of global apparel brands and retailers to close their stores as part of social-distancing measures and delay or cancel imports.

The impact of the global slowdown has also started showing on Pakistan's exports as a large majority of exporters of apparel and home textiles last week received emails from their European and American buyers to "stop all shipments and further production for them forthwith."

Some western importers have asked their Pakistani suppliers to suspend shipments for three weeks and others for even a longer period. The impact of disruption in export shipments has not only affected apparel and home textile exporters but is now rippling through the entire domestic textile supply chain, putting at risk the livelihood of thousands of factory workers.

"Many companies were already under pressure because of budgetary measures like the withdrawal of the zero-rated regime for exporters that the government had introduced from July and the delay in issuance of their sales tax and other refunds. But now we are being told by our foreign buyers to put their shipments on hold for a period that may range from a few weeks to an indefinite period," MI Khurram, the chief executive of Comfort Knitwear, one of the leading exporters from Lahore, said.

"That is not all. Brands like H&M, Nike and Zara have also temporarily halted new orders for autumn as they are assessing the impact of the drop in demand and may change orders they have already placed," he added. "As far as I know, no order has so far been cancelled, but you cannot rule out widespread cancellations if the current situation in Europe and America does not improve over the next few weeks."

The situation has led some firms like Interloop, Style and Shahkam to take extreme measures like temporarily shutting down their production partially or completely for the next two to four weeks to prevent inventory build-up as no exporter has enough storage capacity. In Faisalabad, the apparel and home textile manufacturers have cut their output by a fifth. Smaller manufacturers have gone as far as terminating most of their temporary workers and furloughing other staff.

"The small- and medium-sized exporters already operating on very thin margins are unable to pay workers or utility bills as they wait for new orders," Azizullah Gohir, the secretary-general of the Pakistan Textile Exporters Association, said by telephone. "The impact of trade disruptions on the coronavirus spread is slowly but steadily overtaking the domestic textile supply chain. The production cuts in the downstream industry are already causing inventory build-up in the upstream industry."

According to industry sources, large spinners like AA Textiles are drastically slashing their output and manufacturer of manmade fibre, Ibrahim Fibres, has shaved off its prices to reduce its stocks. “If the situation does not improve in the next few weeks, I see our apparel and home textile exports decline by almost 50 per cent in April and closure of almost 40pc spinning capacity over the next couple of months. Only those with big financial muscle will survive,” Khurram declared.

Khurram Mukhtar, the chief executive officer of Sadaqat Limited, said some exporters who were supplying their wares to large supermarkets like Target and Walmart were not as much affected as those selling their products to exclusive apparel brands and stores. “There is a decrease in the sale of textile and clothing products in supermarkets as well but people are still buying these goods. Hence, the impact on suppliers of such importers has been minimal thus far.”

The exporters are warning that the export disruptions could result in massive job cuts unless the government supports them. “Our foreign buyers are trying to save their sales and businesses. For us it, it is a matter of protecting jobs,” Ijaz Khokhar, the country’s largest exporter of martial arts uniforms from Sialkot, argued. “The widespread lockdown in Europe and elsewhere has affected the entire small- to medium-sized exporting industries — including sports goods and surgical instruments manufacturers — from Sialkot. However, the garment producers are affected the most,” he added.

Nabeel Hashmi, the chairman of the Punjab Industrial Estates, a government-owned company which develops and manages industrial and business parks in Punjab, says it has now become crystal clear the Covid-19 spread is going to take a huge toll on companies, especially on the small and medium enterprises (SME), because of both export disruptions as well as the decline in domestic demand.

“The pandemic has brought with it an extraordinary challenge for the economic policy planners and the central bank. This challenge requires an extraordinary response to mitigate its impact on the country’s struggling economy and people. The government should give comprehensive support of at least Rs100 billion to subsidise utility bills of tax-compliant SMEs with an annual turnover of up to Rs2bn and enable them to retain their employees and pay their salaries for at least next 120 days.

The State Bank of Pakistan should waive all interest payments on industrial loans as long as the crisis lasts to protect the industry and jobs in these unprecedented times," he underlined. "Without government support most SMEs will neither be able to pay salaries nor utility bills. If you save the industry now, it will be easier for the economy to rebound more quickly when the crisis is over."

Local garments and home textiles retailers are also reporting a massive drop in their sales. "Our sales have dropped to just 20pc. Buyers have stopped spending on these items and our stores are without any customers for the better part of the day. We are furloughing most of our sales staff in view of the situation," Kashif Ashfaque, the chief executive officer of ChenOne, a lifestyle store chain, said.

The evolving situation in the textile sector is not only worrying for the industry but also bankers. With potential loan defaults looming large as factories cut down their production on export disruptions and slowing domestic demand over coronavirus, bankers have also joined the chorus for an immediate, substantial reduction in the policy rate to protect the industry, jobs and banks alike from the impact of the pandemic. "It is time that the central bank cut its policy rate by 5pc to 7.5pc and instructs the banks to provide relief to all borrowers from payment of interest on their outstanding loans until September.

Besides, the government should immediately release the sales tax and other refunds to improve the liquidity of the manufacturers," a business tycoon with interests in textiles to financial services said on condition of anonymity.

Time to act is now.

Source: dawn.com- Mar 23, 2020

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NATIONAL NEWS

Industry demands financial support

K.V. Srinivasan, Chairman of Cotton Textiles Export Promotion Council, said, in a press statement, that spread of COVID-19 had disrupted the cotton yarn sector.

With trade and industry feeling the impact of COVID-19 spread, the industrial associations here have appealed to the Union and State governments for financial support and exemption from taxes.

K.V. Srinivasan, Chairman of Cotton Textiles Export Promotion Council, said, in a press statement, that spread of COVID-19 had disrupted the cotton yarn sector.

“Exports of cotton yarn that had shown signs of some revival in January have virtually collapsed as not only the importers, but leading garment producers and retailers in India are also deferring or cancelling orders,” he said. A large inventory of unsold stock is thus building up leading to curtailment of production.

Companies are running out of funds to pay wages and government dues and service bank loans. Mr. Srinivasan appealed to the government to instruct banks to provide access to funds at concessional rate of interest and to extend statutory deadlines for payments by six months.

He also sought interest subvention scheme for cotton yarn. Apparel Export Promotion Council chairman A. Sakthivel said major buyers and brands in the US and the EU were postponing orders and shipments and there was uncertainty in the market. Hence, the validity for unused entitled value under export promotion schemes should be extended by another six months.

In an effort to mitigate the working capital crisis, there should be temporary relaxation of lending norms and extension of credit repayment periods.

Federation of Indian Export Organisations, Southern Region, sought immediate payment of ITC and IGST refunds, payment of ESI should be deferred for three months, and banks should facilitate faster clearance of credit applications.

According to the Indian Chamber of Commerce and Industry, Coimbatore, the small and medium-scale enterprises are affected badly and are reeling under cash crunch.

Hence, the government should revoke GST fines and penalties for 2017-18 and beyond. Taxes, especially Property Tax, should be waived for the second half of this financial year. The local bodies should not collect Professional Tax from the businesses.

The Dyers Association of Tirupur said, in a press release, that the units were seeing drop in fabric sent for processing and those who did job works were not getting the payments on time.

Hence, the banks should extend six months moratorium to repay loans and there should not be classification of accounts as non-performing assets till March next year.

The Coimbatore Tirupur District Micro and Cottage Entrepreneurs Association demanded extension of time to repay GST amount and bank loans.

The government should not levy penalties on small and micro pumpset manufacturers who were unable to pay GST on time, according to Kovai Power Driven Pumps and Spares Manufacturers Association.

The Kongunadu Makkal Desiya Katchi said the government should ensure that exporting units get 25 % increase in working capital and should provide relaxations in mandatory payments as the exporters face delay in getting the payments for their shipments.

Source: thehindu.com- Mar 21, 2020

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Cargo movement hit as truck drivers head to villages, on Covid-19 fears

A massive shortage of truck drivers is starting to bite India's trade, forcing port operators to take steps to deal with issues in evacuation of cargo.

"About 60 per cent of the truck drivers carting cargo containers to and from Jawaharlal Nehru Port Trust (JNPT) have fled to the villages fearing the coronavirus outbreak," said Pravin Paithankar, President of the Maharashtra Heavy Vehicle and Inter-State Container Operators' Association.

"These truck drivers, who hail mainly from northern India, particularly Uttar Pradesh, are unlikely to return till at least June," he said. As many as 15,000 truck drivers move cargo from various parts of the country into Maharashtra.

Paithankar said that the planned stoppage in movement of long-distance passenger trains from Mumbai may prevent more drivers from going to the villages.

The fewer number of drivers is posing problems in taking out import containers landing at JNPT, India's busiest container gateway.

Extending free storage period

"With the Covid-19 situation, many users are currently facing difficulties in arranging transport to evacuate containers from our terminal due to a shortage of manpower and resources," said a trade advisory issued by Bharat Mumbai Container Terminals Pvt Ltd (BMCT), one of five container terminals operating at JNPT and a unit of Singapore's PSA International Pte Ltd, the world's top container port operator.

"To assist the trade and end-users, BMCT is extending the free storage period of all import containers, laden and empty, for an additional three days until March 31. We are continuing to monitor the situation closely and will review this again before March 31, depending on utilisation and other factors," the advisory said.

PSA will announce a similar step shortly at its container terminal in V O Chidambaranar Port Trust in Thoothukudi, a PSA India spokesman said.

The Central government-run 12 major ports and some top private ports and terminal operators are expected to announce similar customer-friendly measures to ease the situation, an executive with a private port operating company said.

Source: thehindubusinessline.com- Mar 22, 2020

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Coronavirus crisis: Lower demand hits small businesses, startups hard; cost-cutting likely ahead

The Coronavirus is having a detrimental effect on the health of startups and small businesses in India as many of them are staring at crippling business services ahead. For instance, 71 per cent of startups and small businesses in India are witnessing lower demand for their products and services while 48 per cent are experiencing supply disruption or increase in supply costs, said a survey of 35,000 startups, small businesses and entrepreneurs by the community social media platform LocalCircles. Over 18,000 responses were received in the survey.

In order to deal with the negative impact of the Coronavirus, 63 per cent respondents said they will cut costs which included cutting down on discretionary expenses, reduce or exit non-essential supplier projects and reducing employee costs.

"Some startups and SMEs have reported the exercise of Force Majeure clause by their customers and getting out of a contract. Others are reporting postponement of deliveries by Indian and global customers. Some SME exporters have reported being unable to find containers to ship as they are stuck at ports around the world," the survey said.

Industry body Assocham had last week suggested government several measures to help MSMEs cope with the current situation such as concessional working capital loans for MSMEs equivalent to one to three month's (based upon the extent of disruption) average turnover of last year.

Assocham also asked the government to extend the period for payment of utility, GST and other statutory payments by three months without any impact on the businesses' credit history.

According to the survey, startups and small businesses are also looking at reducing costs with respect to the workspace, operation etc. as 30 per cent respondents said they would reduce their expenses on office rentals, operations along with marketing or advertising costs.

However, 37 per cent said they won't take any action as there has been no impact on their businesses because of Coronavirus.

Source: financialexpress.com- Mar 22, 2020

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Exporters want banks to waive penalties on delayed payments due to coronavirus disruption

Also make a case for post-shipment credit to tide over difficult times

Exporters have asked the government to ensure that banks do not penalise them on overdue bills as many buyers in countries hit by coronavirus, such as the US, France, Germany and China, are delaying their payments for shipments.

"Several export sectors have reported to the Commerce Ministry that payments for their shipments are getting delayed and banks should be asked to be sensitive and not impose penalties. The Commerce Ministry is communicating the message to various banks," a government official told BusinessLine.

Exporters' body Federation of Indian Export Organisations (FIEO) has also made a case for conversion of pre-shipment credit to post-shipment credit.

"Our buyers in many countries across Europe, the US and other places do not have making payments for their imported consignments as their priority. Many are so busy dealing with the impact of coronavirus that they do not even have time to respond to Indian exporters' queries for payments," said Ajay Sahai from FIEO, adding that exporters are in need of post-shipment credit because of stuck payments.

FIEO has taken up the matter with both the Commerce Ministry and the Finance Ministry and is hopeful of a positive outcome, Sahai said.

The Confederation of Indian Textile Industries (CITI), too, has sought moratorium on repayment of principal and interest to banks for four quarters from April 1, 2020 to March 31, 2021. It has sought a relief package, including reduction in interest rates, for the textile and apparel sector to tide over the crisis being faced by the highly capital- and labour-intensive textile industry which operates on “wafer-thin margins”.

Research body CRISIL has said that sectors such as gem and jewellery and textiles are likely to face headwinds in exports given the recessionary trends in the key global markets, including the US and Europe.

Export credit had contracted by about 23 per cent in 2019 (January-December) even before the outbreak of the coronavirus worldwide and now the situation has worsened, according to Ravi Sehgal from the Engineering Export Promotion Council (EEPC).

He said exporters need immediate fiscal relief and credit flow to keep their work force and essential plant and machinery operational.

India’s exports during April-February 2019-20 was 1.5 per cent lower than in the same period last year at $292.91 billion.

Although exports of goods in February 2020 posted a small increase of 2.91 per cent (year-on-year) to $27.65 billion, outbound shipments from major sectors, including gem & jewellery, readymade garments, leather and most agricultural produce, including meat and rice, posted declines during the month.

Source: thehindubusinessline.com- Mar 21, 2020

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India not obliged to execute WTO's ideas on export schemes

India is under no obligation to implement the recommendations of the World Trade Organisation's (WTO) dispute panel on its export promotion schemes, which were challenged by the United States, as New Delhi has appealed against that order at the higher level, commerce and industry minister Piyush Goyal told parliament lower house recently.

A WTO dispute settlement panel in October last year had ruled that India's export-related schemes are in the nature of prohibited subsidies under the Agreement on Subsidies and Countervailing Measures and are inconsistent with WTO norms.

The panel has given a time-frame of 180 days for withdrawal of the Special Economic Zone (SEZ) scheme. India has appealed at the WTO's appellate body against this ruling.

"Due to non-functioning of appellate body (of the WTO's dispute settle mechanism), the appeal has been kept in suspension. Till the appeal is disposed of, India is under n obligation to implement the recommendations of panel," Goyal said in a written reply.

In another reply, the minister informed that India is now involved in 15 trade disputes, mostly against the United States, at the WTO, according to an official release.

Source: fibre2fashion.com- Mar 23, 2020

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Fitch cuts India growth forecast to 5.1% for 2020-21

Fitch Ratings has cut India"s growth forecast to 5.1 per cent for fiscal 2020-21, saying the COVID-19 pandemic is likely to hit business investment and exports. It had projected India's growth at 5.6 per cent for 2020-21 last December. In its Global Economic Outlook, Fitch said the number of infected will rise but the outbreak will remain contained.

However, there are downside risks to this scenario, the rating agency said.

"Supply-chain disruptions are expected to hit business investment and exports. We see GDP growth to remain broadly steady at 5.1 per cent in the fiscal year 2020-2021 following growth of 5.0 per cent in 2019-2020," Fitch said.

While India's linkages with China are modest, manufacturers in India are heavily reliant on key Chinese intermediate inputs, especially of electronics and machinery and equipment, Fitch said.

The difficulties facing the Indian economy have been exacerbated by Yes Bank failure, it was quoted as saying by a news agency.

"Fragilities in the financial system will further undermine sentiment and domestic spending. The overall financial system remains burdened with weak balance sheets, which will limit any upside to credit and growth despite policymakers" efforts in recent months to ease stresses," Fitch added.

Source: fibre2fashion.com- Mar 23, 2020

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Covid-19 effect: The e-comm winners and losers

The rising incidence of COVID-19 that has resulted in a sharp drop in footfalls across the country along with a significant spike in people working from home, has impacted e-commerce businesses differentially.

E-tailing and hyperlocal businesses including Grocery, E-pharma, Home & Furniture, Fashion, Beauty & Personal Care, Smartphone/Electronics, registered 45-50 per cent growth in GMV overall in the first two weeks of March (1st to 15th) compared to the same period in February, as per estimates from RedSeer Consulting.

However, GMV of online services businesses including Mobility (45-50%), Hotel-tech (60-65%), Food Delivery (10-20%), Movie and Event Ticketing (75-80%) took a hit with falling GMV growth.

"Some of this growth in GMV was also driven by regular monthly factors because February in general, is a slower month for e-commerce, compared to March.

After hectic buying during the festive season sale period, consumer spend in e-commerce usually slows down in January and February. However, it picks up in March, fuelled by festival spend starting from Holi and through Ugadi" said Anil Kumar, founder CEO, RedSeer Consulting.

Increase and decrease

At the top end, Personal Care saw a 120-130 per cent increase in GMV, largely driven by the sale of sanitisers and hygiene products followed by Grocery which saw a steep increase of 110-115 per cent in GMV as people started stocking up on staples and supplies in order to avoid visits to the supermarkets and local stores. E-pharma saw 50-60 per cent growth led by strong growth in e-consultations and sharp demand spike for prescription medicines.

Interestingly, Home & Furniture saw a 15-20 per cent increase in GMV with increasing sales of small ticket items like home decor, linen, bed/bath accessories; Fashion saw a 30-35 per cent increase as people most likely spent more time browsing apps while working from home.

While there was a general decline in demand for large ticket items in Electronics, work from home led to increased demand for laptops and smartphone accessories, resulting in GMV increase of 20-25 per cent.

In Mobility, decline in cabs services took the highest beating followed by autos from the first week itself. The bike market also started contracting this week.

After an initial spike in the first week, food delivery declined in the second week and is expected to decline further, as people stop ordering in and start cooking at home.

Limited travel and work from home took down GMV of the Hotel-tech business and with restrictions on Malls/Cinema Halls, ticketing was one of the worst hit segments of online services.

Source: thehindubusinessline.com- Mar 21, 2020

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Surat: Textile markets to close for four days

The country's largest man-made fabric (MMF) wholesale market located at Ring Road, Salabatpura and Saroli will remain shut for four days starting March 21 following the coronavirus spread in the city.

The decision was taken at the meeting of the textile traders convened by the Federation of Surat Textile Traders' Association (FOSTTA) on Friday. The traders' body announced that all the 165 textile markets located at Ring Road, Saroli, Salabatpura and Sahara Darwaja will remain closed from March 21 to 24.

The Surat Municipal Corporation (SMC) and the district administration had also appealed to the body to consider closing down the textile markets due to the prevailing coronavirus situation.

Secretary of FOSTTA, Champalal Bothra said, "All the markets will remain shut for four days starting from March 21. We will assess the situation on March 24 and decide accordingly to extend the closure. We have appealed to all the market managements to keep their markets shut to contain the spread of the coronavirus disease."

The 165 textile markets house more than 75,000 textile shops. The textile markets employ more than 3 lakh workers. The daily turnover of the textile markets is pegged at Rs 110 crore.

President of FOSTTA, Manoj Agarwal said, "The textile markets are the vulnerable to the spread of the virus to the high presence of traders, workers and customers. The decision to shut down the markets is taken in the interest of the traders and the general public of the city."

Source: timesofindia.com- Mar 21, 2020

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Covid-19: Why India needs a stimulus package quickly

Recently, a group of professional associations appealed to the finance ministry for an extension to the March 31 deadline for paying disputed tax, under the 'Vivad Se Vishwas' (VSV) scheme. Up to the end of this month, this scheme enables taxpayers to settle disputes by paying only their income-tax (I-T) dues with interest and penalty waived. Thereafter, this scheme is open for another three months, requiring an additional payment.

The president's nod to VSV was given on March 17, and for those who want to pay up by this month-end, the timeline is already tight. Added to it, is the liquidity crunch brought on by the Covid-19 pandemic. On the other hand, the pressure to collect taxes is on, as GoI needs Rs 3.06 trillion from direct taxes and Rs 1.1 trillion from indirect taxes by March-end, to meet the revised estimates of Rs 11.70 trillion and Rs 9.86 trillion respectively.

India Inc, especially some sectors badly impacted by Covid-19, such as hospitality and airlines, will need a lifeline. Layoffs, which seem inevitable across several sectors, will dent consumption pattern and worsen the crisis. Many companies are also sitting on huge debts that need to be serviced. The slowdown will also impact business plans for the coming fiscal year.

Prime Minister Narendra Modi, in his address to the nation on Thursday, has indicated that a Covid-19 economic taskforce will be set up, which will listen to all stakeholders and take steps to minimise the blow to the economy.

Many countries have proactively offered bailout packages to business entities, largely in the form of government guarantees for loans, deferral of tax payments and social security contributions. A few have even reduced direct and indirect tax rates.

Britain has rolled out a £330 billion ($384.45 billion) rescue package rescue package of loan guarantees. For MSMEs, the 'business interruption' loan limits have been hiked with no interest due for six months.

Canada's aid package comprises of Canadian $27 billion ($18.96 billion) in direct support benefits and another Canadian $55 billion ($38.62 billion) to help business liquidity through tax deferrals.

France has put a €45 billion ($48.3 billion) stimulus package on the table to help businesses — a major chunk, €35 billion ($37.4 billion), takes the form of reduced social security contributions. Unemployment benefits will cost €8.5 billion ($9.1 billion), while €2 billion ($2.14 billion) will go towards a solidarity fund for the self-employed and shopkeepers. The US plans to bail out airlines, hotels, casinos, MSMEs and others at a cost of $1 trillion.

In China, the first to bear the brunt of the Covid-19 crisis, for business entities, the carry-over period of losses to future years has been extended, small taxpayers are exempt from value-added tax (VAT) in certain provinces, and the rate has been reduced for all other small taxpayers, employer contribution towards various benefit funds and insurance has been exempted or slashed.

Indonesia announced a $725 million stimulus package last month to support its tourism, aviation and real estate industries, followed by a second stimulus package of $8 billion. This includes corporate tax cuts for select manufacturing sectors. Most countries are concentrating on deferral of the tax payment without any penal interest or prosecution consequences, so as to leave more cash with business entities and individuals.

Americans who owe $1 million or less in tax dues have a three-month extension, until mid-July to pay. Ditto for corporations that owe up to $10 million in taxes. Canada has extended its tax-filing deadline for individual taxpayers from April 30 to June 1. Plus, it has permitted taxpayers to defer payments until after August 31. France and Spain have enabled small businesses to defer tax payments.

A few countries such as Ireland and the US, as well as Hong Kong, have offered direct cash payments to those reeling under layoffs. Leave and self-isolation cash support is on offer in New Zealand, Canada and Singapore. In Indonesia, a six-month I-T exemption is available to workers with an annual salary of $13,000 or less. India will need to quickly close on a package most suited to its needs.

Source: economictimes.com- Mar 21, 2020

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Freight rates set to spike as India puts ships arriving from Corona infected nations on 14-day quarantine

Short haul trades of less than 14 days voyage time to be hit

Freight rates for shipping commodities into India from countries requiring a voyage period of less than 14 days is expected to see a huge spike after the country's maritime administration said that ships arriving from ports of Coronavirus infected countries identified for mandatory quarantine would have to wait outside the port till the two week period ends before allowed to unload cargo.

"Fleet owners will budget it and the cost of transportation will go up exponentially," said an executive with a local shipping company. "They will budget in the extra costs to comply with the 14 days requirement, which he would otherwise have completed in 5-7 days and go on to the next trip, to compensate for the freight lost," he stated. For India, lot of commoditised shipments comes from South East Asian countries which are typically short-haul trades with voyage time of 5-7 days.

So, compulsorily the ships will have to wait on the high seas for the extra 7-9 days before it can come to the port to comply with the 14-day rule since leaving the previous port.

India imports about two-thirds or 65 per cent of its crude oil and about 90 per cent of liquefied petroleum gas (LPG) annually from the Middle East, where the voyage time is about a week to India's West Coast and a little more to the East Coast.

"Indian entities hiring ships will have to pay more freight on all cargo types. It's up to the ship charterers whether they want to pass on the higher rates to the end use consumers or not," the executive said.

Shipping is one of few industries on which the epidemic has had a positive impact. "Tanker rates have gone up 5-7 times as the epidemic spread; it's a big positive for fleet owners," he stated.

Freight rates for moving crude oil have also jumped since early March in the wake of the huge price cuts unleashed by Saudi Arabia, the world's top oil producer, following a spat with OPEC + member Russia over production cuts.

“Because of glut in oil due to price cuts, there is a huge amount of excess oil floating around. Oil is such a thing, if it comes out of a refinery, it needs to immediately go somewhere.

Given the very limited land storage available, the oil has to go on a ship- either to transport it or just store it on a ship, even if it has not been sold. That’s why the demand has gone up for tankers because lot of tankers are used for storage needs. That’s why there is a big jump in freight rates,” the executive said.

The sport rates for shipping crude oil on very large crude carriers had touched a day rate of $260,000 four days ago, while Suezmax rates had reached day rates of $120,000. While Aframax tankers are being fixed at $40,000-50,000 a day and product tankers at $20,000 a day.

On March 3, when Saudi Arabia took the market share fight to Russia, oil super tanker rates were hovering between $25,000-30,000 a day, Suezmax between $18,000-20,000 a day, Aframaz at $16,000 a day and product tankers at $14,000 a day, according to shipping market sources.

Source: thehindubusinessline.com- Mar 21, 2020

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Cancelled orders, halted production — how coronavirus threatens bleak fiscal for exporters

Indian exporters are facing massive shortage, and even cancellation in some cases, of orders. Labour-intensive sectors are fearing job cuts.

The unprecedented lockdowns around the world due to the coronavirus pandemic can wreak havoc for Indian exporters who are already facing massive shortage, and even cancellation in some cases, of orders even as the labour-intensive sectors fear loss of jobs.

Sharad Kumar Saraf, chairman and managing director, Technocraft Industries India Limited that deals in engineering goods exports, said the government is not doing enough to help the exporters.

"We don't know what the government is doing. There is no authentic information from any quarters of the government. All countries are taking domestic measures to boost their exporters, only for India where no steps have been taken," he said. "If this continues, exports from this country will be finished."

Countries such as China, the US and the UK have announced stimulus package to boost their exports.

Saraf, who is also president of the Federation Indian Export Organisations (FIEO), says exporters usually witness full order books around this time and scramble to finish their consignments. But the situation is just the opposite this year, he said.

"This year, the order book positions of some of the labour-intensive sectors such as textiles, gems and jewellery, footwear and others have gone into negative. The situation of engineering, chemicals and plastic exports are also severe," Saraf added.

Halt in production, cancellation of orders

According to some of the leading exporters of consumer goods, whose clientele are mainly the developed markets of the US and Europe, are facing sudden halt in production of their goods, cancellation of large-scale orders and loss of customers.

As a result, they fear, they will have no option but to let go of labourers as factories come to a screeching halt.

The US, the UAE, Germany, the UK, Singapore, Italy and China, among others, serve as the top destinations for Indian engineering exports, which are the largest contributors to the country's basket of merchandise exports.

"Trade is crippled in most of these destinations due to a near collapse of global supply chain even as the cargo movement has stopped. The warehousing capacity is over-stretched with severe blocking of export finance.

The international shipping lines are affected. Even the urgent and less bulky cargo through air routes is paralysed with the airlines trimming their operations," said Ravi Sehgal, chairman, Engineering Export Promotion Council (EEPC).

Fiscal relief and credit flow for SMEs

Sehgal added that exporters, especially those in the highly job-oriented SMEs (Small and medium-sized enterprises), need immediate fiscal relief and credit flow to keep their workforce and essential plant and machinery, in running operations.

"Forget about June-July, we have been asked by our customers in the US and the UK, to stop the ongoing production. They have become very panicky. All leading shops in those markets are closed. No consumer goods are being sold. Ongoing orders have been cancelled and we have to stop production," said Rafeeque Ahmed Mecca of Chennai-based Farida Group, which sells leather footwear, handbags and other leather goods to international retailers such as Clarks, Marks and Spencer, Florsheim and Rockport among others.

Ahmed said he is anticipating a 30-40 per cent fall in the export of leather goods in April-May quarter and the situation can worsen in the coming months as order books for the upcoming summer and autumn seasons are down to nil.

"Customers are asking us not to send any shipment, banks are creating issues and shipping lines are increasing their freight rates as they are getting less containers. Government should announce some package to tide over the situation," Ahmed added.

The situation is even worse for textiles and garments exporters, who are facing huge difficulties due to shutting down of stores in the US and European markets as shoppers ditch the markets in the wake of a lockdown and quarantining.

"The situation was mild a week ago, but in the last three days, it has gone from bad to worse. All the stores there (America and Europe) are shut. Customers have cancelled all orders, some are even returning the shipments. This is unprecedented. I have never seen anything like this happening in the last 40 years of my business," said a leading Delhi-based textile exporter who refused to be named.

Source: theprint.in- Mar 20, 2020

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Tirupur textile owners, staff face uncertainty

The 28-year-old man from Bihar was working at a pump-making unit in Coimbatore till 2017 when he became jobless after the GST churn in the MSME sector.

Lallan, along with three of his friends, eventually managed to get a job in a garment unit in Tirupur. But now, he is not sure what is in store for him in the coming days. “They say orders are not coming and production will go down in the coming days. I may not be sacked but would be asked to go on leave if orders don’t come,’’ he says.

Scores of migrant workers like Lallan cannot leave the units and search for new jobs and have to endure days of unpaid leave.

Textile manufacturers are in an equally tricky situation. On one side, the units are staring at a drop in production as orders are drying up. Hence, retaining the entire workforce would be infeasible. On the other side, they could not afford to lay off the workforce since getting them back once things get back to normalcy would be difficult.

“We can’t send them home as train services have been suspended. We can’t keep them idle also,” says Raja M Shanmugam, president of the Tirupur Exporters Association. “When they return once the business picks up, there is a threat of infection due to the travel.”
The garment sector in Tirupur employs about 4.5 lakh workers out of which roughly 30% are migrant workers, according to trade unions. These workers are mostly from Bihar, Jharkhand, West Bengal and Odisha.

For now, the textile units have decided to offer fewer shifts that will help the workers sustain themselves as well as ensure that the units don’t have to go headhunting later. “The units will ensure that the workers get paid enough to meet their essential requirements,” Shanmugam says.

N Ramaswamy, centre manager of the Odisha Migration Support Centre functioning for the welfare of migrant workers from Odisha, says there has not been an exodus of the workforce. “I don’t think they will be sent back since migrant workers form a crucial part of the garment sector here. But we don’t know what will happen in the coming days.”

Trade unions, however, are apprehensive. G Sampath, general secretary of the Banian and General Workers Union, says two small scale units that employ 100 workers have declared leave. “Only in the last two days, we have realised the severity of the Covid-19 impact. It may take a few more days for the effect to show up on the textile sector. The extent of impact on the workforce will be known only on Monday or Tuesday,” he adds.

Source: timesofindia.com- Mar 21, 2020

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400 textile units, 250 factories in Bhilwara shut

Around 400 textile units and 250 factories have remained closed in Bhilwara for the last three days where the number of positive coronavirus patients increased to 12 on Sunday.

The district administration has made teams of 300 people, specialized in different sectors, which will carry out a door-to-door survey of 30 lakh people in Bhilwara district.

On Sunday, eight mobile vans were used to supply groceries, milk and other essential items through the upbhokta bhandar. “There is now no panic as the administration is doing good work,” said Amit Kakara, a resident of Subash Nagar.

A team member of the distribution van, Rekha, said they have flour, pulses, lentils, spices, biscuits, vegetables and fruits. People have been asked not to hoard eatables. Small towns like Gulabpura, Mandal and others remained completely shut on Sunday. Even petrol pumps remained closed. Jewellery and textile shops and all the markets were closed.

Sunil Mittal of metal factory in Hamirgarh said it was the first time in his life he relaxed with his family for long three days but was worried when this nightmare would get over.

Source: timesofindia.com- Mar 23, 2020

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Industries in Surat come to a grinding halt

Diamond cutting and polishing centre in Surat has come to a standstill after majority of the diamond units including the big diamond companies have unanimously decided to keep their factories shut till March 31 in line with the state government directives.

On Friday, the Surat Diamond Association (SDA) had announced that the diamond markets in Varachha and Mahidhapura will be shut for two days starting Saturday, while the diamond manufacturing units were to remain shut only on Sunday.

Industry sources said that the world's largest diamond bourse, Bharat Diamond Bourse (BDB) in Mumbai, has been shut down after the Maharashtra government declared lockdown in the four cities including Mumbai till March 31. However, the diamond trade has come to a standstill in Surat and Mumbai following the lockdown.

Chairman of Venus Jewels, Sevanti Shah told TOI, "All diamond unit owners have decided to keep units shut till March 31 following the state government appeal. The decision to further extend the closure will be taken after reviewing the COVID-19 situation after March 31."

Shah further said that the export of polished diamonds and jewellery from Mumbai has been stopped completely following the shutting down of the BDB. Majority of the diamantaires from Surat having offices in Mumbai too have returned home, he added.

Nainesh Patchigar, director of Indian Bullion Jewellers Association (IBJA) said, "More than 3,500 jewellery shops and showrooms in Surat and south Gujarat will remain shut till March 24."

Powerloom weaving and textile processing sectors too have announced closure in the industry till March 24. President of South Gujarat Textile Processors Association (SGTPA), Jitu Vakharia said, "All the textile processing units in the city and district will remain shut till March 24 to contain the spread of COVID-19. We have advised the textile workers to stay indoors and be safe."

According to Vakharia, all the industrial estates including the Pandesara GIDC and Sachin GIDC have also joined in the closure till March 24.

Mahendra Ramoliya, chairman of the Sachin Notified Area Authority said, “All the units in Sachin GIDC will remain shut till March 24. The notified area authority will review the situation and decide whether to extend the closure in the estate after March 24.”

Meanwhile, the Vapi GIDC has also announced that all the units in the estate have announced closure till March 29.

Source: timesofindia.com- Mar 22, 2020

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Govt approves expenditure of Rs 1,061 cr to reimburse losses on cotton sale under MSP

The Centre on Saturday approved an additional expenditure of Rs 748.08 crore for Cotton Corporation of India and Maharashtra State Co-operative Cotton Growers Marketing Federation towards reimbursement of losses on sale of cotton procured under MSP operations during cotton years 2014-15 and 2015-16.

It also approved an expenditure of Rs 312.93 crore for reimbursing the losses to CCI and MSCCGMFL on sale of cotton procured under minimum support price (MSP) operations during cotton years 2017-18 and 2018-19. The cotton year is from October to September.

The decisions were taken by the Cabinet Committee on Economic Affairs (CCEA), which also accorded ex-post facto approval for engaging Maharashtra State Co-operative Cotton Growers Marketing Federation Ltd (MSCCGMFL) to undertake MSP operations in the state of Maharashtra as sub-agent of Cotton Corporation of India (CCI) Limited during the cotton years 2017-18 and 2018-19.

"The approval will help in price support operations of cotton which helps in stabilizing cotton prices and is primarily aimed to safeguard the interests of the farmers and controlling any distress sale," an official statement said.

Source: economictimes.com- Mar 21, 2020

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Why the correction must run its course

The recent bear phase, far from being irrational, was badly needed to align frothy valuations of Indian stocks with their fundamentals

As the US stock market lurches from circuit to circuit and Indian markets go into full panic mode after shedding 30 per cent, there's growing clamour for the market regulator to 'do something' to the stop the declines.

Given that this bear phase is not caused by economic events but by a renegade virus, why not shut down all trades until better clarity emerges, argues one camp spearheaded by the Venture Capital community. Another camp points to the short-selling bans imposed by global regulators and asks why India can't follow suit.

While these appeals are made in the interest of long-term investors, in the current context, shutting down markets or banning certain kinds of trades can hurt the interests of such investors, rather than help them.

In the interests of investors who have put faith in Indian stocks for a good long-term return, stock prices sorely needed to correct from their super-charged levels. Yes, one wishes that the trigger for it did not have to come from a pandemic with such devastating human costs. But the correction itself was inevitable, given unsustainable valuations.

Hope rally

If the market fall triggered by a global pandemic is unprecedented, the bull market that preceded this decline was quite unique too. It stood out for being the longest hope rally in recent memory, when stock prices soared with very little support from earnings.

Sustained bull markets in India over the last three decades have always been supported by a sharp earnings pick-up. In the bull market that lasted from April 1993 to February 2000, the BSE Sensex more than doubled, powered by high earnings in sectors such as pharma, FMCG and the IT-media-telecom triad.

While the Sensex rose at a 15 per cent CAGR (compounded annual growth rate) in this seven-year period, earnings of Sensex companies grew at 16.7 per cent CAGR. It was only when tech company earnings began to sharply decelerate post Y2K, that the Sensex PE of 24 began to look expensive and the rally abruptly ended.

The bull market that lasted from December 2001 to January 2008 was similar. While the Sensex registered a 27 per cent CAGR, the profits of its constituent companies, powered by capital goods, infrastructure and real estate players this time, increased at 19 per cent a year. It was when corporate profits hit a speed-breaker in the form of the global financial crisis in FY08, that Sensex valuations of 26 began to look expensive and had to de-rate.

But the recent bull market that ran on from December 2011 to December 2019 was very different, as the breathless run in the indices was unaccompanied by any earnings pick-up. It has run on thanks mainly to the flood of global liquidity let loose by the easy money policies of central banks.

While the Sensex registered a 13 per cent CAGR between December 2011 and December 2019, earnings of Sensex companies grew at barely 6 per cent a year. This led to the Sensex PE expanding from about 16 in end-2011 to 28 by end-2019.

In effect, market valuations have shot past previous bull market peaks and stayed there for the last four years (the Sensex PE has hovered above 20 times since 2016), without much fundamental basis. While analysts have been repeatedly hoping that this mismatch will be corrected through a 20-25 per cent earnings jump in the last four years, these hopes have been foiled time and again.

With the virus outbreak now signalling an indefinite pause in economic activity and a possible decline in earnings, the Sensex PE of 28 turned positively frothy and eminently deserves to correct. The recent decline has levelled the PE to 17 — in line with long-term averages, but not dirt-cheap.

Effectively, the correction, far from being irrational, was badly needed to re-align Indian stock valuations with fundamentals. Shutting down markets for any length of time is therefore unlikely to prevent it from running its course.

Entry valuations matter

What of the domestic retail investors who have poured money into equities in the last five years? Won't they be hurt by the fall? Yes, in the short run, they will. But in the long run, a bear market gives them a better shot at healthy returns by averaging their high purchase costs.

It is worth noting that nearly 60 per cent of the equity assets managed by mutual funds today (₹6.5 lakh crore of the ₹11 lakh crore) have been added post-2015, at pricey Sensex valuations of 22-plus. This is worrisome for the long-term return experience of investors.

Contrary to perception, making double-digit returns from equities isn't simply a matter of buying and holding stocks for 10 years. The valuation at which you invest is a big decider of returns. A monthly rolling-return analysis of the BSE Sensex over two decades shows that the Indian markets delivered a single-digit return for 10-year investors a good 46 per cent of the time. If the Sensex starting valuation was at 22 or above (1994-2004, 2007-2017, 2010-2020), investors often made sub-5 per cent returns over the next 10 years.

But when starting valuations were at 15-18 (2001-2011, 2009-2019), it was much easier to get to 15-20 per cent returns. The best 10-year returns, in fact, were made by investors who were intrepid enough to buy equities during the panic unleashed by the 9/11 attacks and the global financial crisis.

For long-term investors looking for attractive entry points into equities, taking on near-term uncertainty on the economic outlook or earnings is inevitable. Therefore, far from being protected from equities at times like this, Indian investors need to be encouraged to look beyond such volatility to take a long-term view.

SIPs are bear-friendly

Those worried about retail investors getting permanently scarred by this fall can also take heart from another distinctive feature of the recent bull market as against previous ones. Compared to previous bull markets. when Indian retail investors took direct punts on stocks, most first-time investors now take the mutual fund Systematic Investment Plan (SIP) route.

AMFI data tells us that the SIP books of mutual funds have more than doubled from ₹43,921 crore in FY17 to nearly ₹1 lakh crore in FY20, with about a third of the annual equity flows now coming in through this route.

SIPs as investment vehicles are specifically designed to help investors take advantage of falling markets by averaging their costs; they are quite useless in steadily rising markets. Therefore, the current bear market, far from being hostile to retail investors, is just what the doctor ordered for the three crore SIP investors in mutual funds.

Overall, SEBI is doing quite the sensible thing by not heeding calls for curbs on short-selling or market shutdowns. All it needs to do is ensure orderly functioning of markets and payment systems, so that retail or institutional investors trying to look beyond this mayhem are not denied opportunities to participate.

Short-term investors, in any case, thrive on volatility and are agnostic to whether they bet on long or short trades. Those who have no stomach for the roller-coaster are free to quarantine their trading terminals until the virus abates.

If the mutual fund fraternity is worried about retail investors making the wrong moves in the grip of panic, this is better addressed through awareness campaigns that highlight the right course of action at times like this (stick to your asset allocation, don't invest less than five-year money in equities, and so on). A bear market is a more opportune time to run a "MF Sahi Hai" campaign than a frothy one.

Source: thehindubusinessline.com- Mar 21, 2020

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