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www.tuv.com ID 9105079408
The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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US 71.83| EUR 77.73 | GBP 92.96| JPY 0.64

Cotton Market (Feb 13, 2020)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18900	39500	**70.40**
Domestic Futures Price (Ex. Warehouse Rajkot), February		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19520	40797	**72.71**
International Futures Price		
NY ICE USD Cents/lb (March 2020)	69.24	
ZCE Cotton: Yuan/MT (May 2020)	13,025	
ZCE Cotton: USD Cents/lb	84.74	
Cotlook A Index – Physical	**77.20**	

Cotton Guide- The Financial and the Commodity markets are slightly positive. The reason attributed to this is positive news coming in from China that the number of newly infected Coronavirus victims has declined during the last 3 days. The Dow Jones Industrial Average is High, WTI Crude Oil Prices have moved north by around 1.5 $ per Barrel and Cotton consequently followed the positive news thus registering positive gains.

The market seems to follow the current short term happenings. However, we continue to remain biased towards the bearish to sideways trend. The reason why we give a consolidated stance is –there is news that the vaccination will take almost a year to be developed with proper scientific research. Currently the Corona virus which is now named

COVID-19 is being contained by various measures and not eradicated. This implies that a threat of it becoming a pandemic still looms at large.

While speaking about the ICE futures contracts, we need to make an important note that the volumes and open interest have now shifted from the ICE March contract to the ICE May contract. ICE March contract grabbed 24,948 contracts as volumes and 48,453 contracts as Open Interest whereas the ICE May contract grabbed 27,784 contracts as volumes and 94,817 contracts as Open Interest. The ICE March contract settled at 68.58 cents per pound with a change of +35 points whereas the ICE May contract settled at 69.24 cents per pound with a change of +50 points.

The MCX contracts on the other hand remained consolidated yesterday; we expect the same trend to continue. The MCX February contract settled at 19,170 Rs per Bale with a change of +10 Rs. The MCX March contract settled at 19,430 Rs per Bale with a change of -10 Rs. The volumes were double as compared to the previous figure; they were registered at 1413 lots.

The Cotlook Index A has been kept unchanged at 77.20 cents per pound. While speaking about the average prices of Shankar 6, it is available to exchange hands at 39,500 Rs per Candy. Punjab J-34 is quoted at 4,040 per maund. Arrivals of Cotton in India is still above the 2 lakh Bales mark.

On the fundamental front we expect prices to remain consolidated for both ICE and MCX. On the technical front, in daily chart, ICE Cotton May is moving towards the higher band of the downward sloping channel, which coincides with the lower bound of the rising channel near 69.90. Cotton m ay future has crucial resistance near 70(38.2% Fibonacci retracement level), where price would look to complete a pullback before it resumes it bearish bias. Meanwhile price is moving around the 5 & 9 day EMA at 68.93, 68.92, along with RSI at 48 suggesting for the sideways bias in the market. However, the next support for the price would be 68.01 recent low & 66.82 (76.4% Fibonacci retracement level) & the immediate resistance is around 69.90, which is 38.2% Fibonacci retracement level. Thus for the day we expect price to hold the range of 68.00-69.90 with a sideways bias. In MCX Feb Cotton, we expect the price to trade within the range of 18900-19350 with a sideways bias.

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

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INTERNATIONAL NEWS

Survey Shows Coronavirus Impact on Chinese Textile Industry -Part I, Part II & Part III

A novel coronavirus got running rampant across China since its outbreak in December at the end of 2019 and made its way to a global health crisis as the World Health Organization (WHO) declared it a Public Health Emergency of International Concern(PHEIC) on Jan.30, 2020, and China was hit the hardest due to the very special time when the whole country was overwhelmed with joys in Spring Festival in jubilant family reunion and friends and relatives gathering for China Lunar New Year that started on Jan.25, to the neglect of the possible contagion if we see, the traditional legacy sets hundreds of millions of people on homebound journey on trains, planes, ships and highway driving, making the epidemics prevention and control equally the hardest, then.

Chinese government has taken proactive efforts in all perspectives to curb the epidemic not only by reinforcing medical rescuers fighting on coronavirus-ridden frontline, but also by strictly carrying out various backing-up measures to impede the epidemic spread, including prolonging holidays for longer homestay, constraining outdoor activities with less transportation, delaying back-to-work time, which results in temporary slowdown of growth speed in national economy, and textile industry does not bear the brunt of the impact, but never walks away easy.

A national online survey in Questionaires was conducted by China National Textile and Apparel Council(CNTAC) from Feb.7-10, with a report circulated only to limited readership to show a comprehensive outlook and insight of the textile industry by specific sectors in different provinces on the basis of 1201 respondents, just a sample of the whole textile economic fabric if we can see wood and see forest.

In geographic view, the companies in Central China(except Hubei province, the most catastrophic area this time) have been reopened to production more than that in the eastern part of the country.

Click here for more details.

Production Expected to Shift Gears by the End of February

Survey Shows Coronavirus Impact on Chinese Textile Industry - Part II

The Survey analysis continues to shed light on production expectation at the end of February after the first part of the report is focused on the situation that was seen and expected before the middle of this month. To our dismay, only 18.1% of all the 1201 respondents under the survey reported to recover their capacity up to over 70% while 23% of them could have 50%-70% revitalized, and nearly 60% of the total companies in the survey are in the view that they are able to get the lines running in 50% or less, a gloomy picture if their answers turn out to be true.

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Click here for more details.

Coronavirus impact on Chinese business income, employment and exports

Survey Shows Coronavirus Impact on Chinese Textile Industry - Part III

While businesses have restarted on limited basis, the impact on the companies in the survey in the first half of the year is not ambiguous if we just see some of the important indicators like business income, profits, employment and export.

A national online survey was conducted by China National Textile and Apparel Council (CNTAC) from February 7-10, with a report circulated only to limited readership to show a comprehensive outlook and insight of the textile industry by specific sectors in different provinces on the basis of 1201 respondents, just a sample of the whole textile economic fabric if we can see

wood and see forest. Continuing here is Part III of the survey analysis, as estimated impact on Chinese business for the first half of 2020.
Impact on Employment

Employees being the valuable assets even though the progress of modernization and digitalization driven by AI technology is cannibalizing human jobs. 9.5% of the companies in question think that there is no impact on their employment, but there is a bulk share of the companies, who have difficulty in recalling back their workers during this time of coronavirus , as is manifested by the 21.9% of the respondents reporting over 30% laborer loss and 44.1% of the companies with reduced employment by 10%-30%, and 24.5% of the survey participants expected to have less than 10 percent loss of their operators as compared with the same period last year.

Click here for more details.

Source: fashionatingworld.com- Feb 16, 2020

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China Says Some Factories Have Resumed Production—But Are Supply Chains Out of the Woods?

According to China, industries in certain parts of the country have started returning to work "in an orderly manner," amid ongoing efforts to contain the deadly coronavirus officially known as COVID-19.

More than 400 enterprises in Xi'an, an industrial base in China 485 miles away from the eye of the coronavirus storm in Wuhan, have reportedly resumed production, per data released Friday by the Xi'an Bureau of Industry and Information Technology. More than 75 percent of the city's major manufacturers are said to be producing product again, albeit at a slow clip.

"Production capacity has also been gradually restored, as nine large enterprises with production and sales of over RMB 10 billion [$1.42 billion] have fully or partially resumed production, such as Shaanxi Automobile Holdings Limited and Samsung (China) Semiconductor Co. Ltd.," the bureau noted. Xi'an, according to the statement, has also "recently introduced a number of measures to help enterprises pull through the difficult times and speed up their resumption of production, such as optimizing government services, delaying social security payments, stabilizing employment with subsidies and increasing credit support." The local government has also taken to giving factories rent exemptions and aiding in market development.

The bureau didn't specifically call out Xi'an's garment manufacturers, but there are apparel factories in the region that could be trickling back into operation.

With strict coronavirus prevention measures in place in China (like quarantine, observation, nucleic acid testing and environmental decontamination), the resumption of production has been focused on "urgent market needs" first. Automatic transmission manufacturer Shaanxi Fast Auto Drive Group, for example, has restarted particular production lines, like gear processing, where demand is the highest. Micron Semiconductor "has restored 80 percent of its production capacity," the bureau said.

In order to improve the logistics situation—which has been facing bottlenecks amid the backlog brought on by partial port closures and limited workers—China's largest inland port, the Xi'an International Trade & Logistics Park, has established what it's calling a green channel service.

"With the service, trucks do not need to stop, drivers do not need to get out of their cockpits, and traffic does not need to wait outside of the station," the bureau said. "Epidemic prevention measures are fully implemented, such as disinfection and decontamination, temperature measurement and registration. All these measures help ensure the smooth operation of the China-Europe Chang'an freight train service." That service, for context, has slowed significantly in light of the coronavirus, from making 200 trips in January to just one trip per day at present.

Ask other sources and the supply chain situation in China—and beyond—isn't as "orderly" as the Xi'an Bureau describes.

While some factories may be partially back in business, the spillover effect resulting from a raw materials production freeze is plaguing companies manufacturing in China and in neighboring countries as well.

European companies manufacturing in China are facing disruptions to their supply chains, and many are mulling new sources for inputs, according to the European Union Chamber of Commerce in China. But while they wait out alternative options, they're facing challenges at the local level when it comes to resuming production operations, even though the country's central government has given the OK.

"We have a lot of companies in industrial parks that want to get back to manufacturing and producing their goods but they're being requested to provide all sorts of statements and documents that has created a lot of confusion right now," Adam Dunnett, secretary general for the EU's China Chamber of Commerce, said on CGTN's The Point. "Basically, companies are having to sign off on statements saying that they take legal responsibility for any abnormal circumstances that could have an impact locally."

Factories looking to resume production are being asked, according to Dunnett, to provide statements detailing emergency plans to contain the virus or ensure workers have been properly screened or quarantined, to assure industrial parks and local authorities that their business operations won't prove a threat to the area's health and safety or do anything to further spread the virus. In "many cases" Dunnett said, the newly required paperwork is being rejected on initial submission. That process is only adding to the delays in getting production lines back to running at capacity.

Stretching beyond China, the impact at factories in countries nearby could be detrimental if manufacturers can't procure the necessary raw materials.

Local news reports have estimated hold-ups at factories in Vietnam, which relies heavily on raw materials supply from China, could contribute to as much as two-week delays in shipments to international brands like Uniqlo, Gap and Nike, which make product there. Uniqlo, according to the Nikkei Asian Review, has already delayed the launch of certain new product lines.

Cambodia is suffering a similar fate with production in jeopardy over input supply.

"While Vietnam can produce textiles itself and can maintain certain production levels, the impact may be bigger in countries such as Cambodia that are more dependent on Chinese production of textiles," a source familiar with Uniqlo told the Nikkei.

Source: sourcingjournal.com- Feb 21, 2020

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Coronavirus may drive buyers to Turkey, fuel cotton growing

The new coronavirus outbreak in China may lead global buyers to find new markets, especially in sectors such as textile, garments and steel, and Turkish businesses are one alternative. The outbreak, however, also may cause a decline in the country's exports to the Far East, such as natural stones of which China is the No. 1 buyer.

According to a report by Turkey's Ministry of Agriculture and Forestry, COVID-19 will cause a possible shrinking of China's textile and garment industry – for a country that is a huge exporter for global brands – and this may drive those brands toward Turkey, increasing the importance of cotton growing in the country.

The report by the ministry's Department for Agricultural Basins, which evaluated the effects of the new outbreak on the cotton sector, stressed that China had the biggest share in the overall fiber cotton imports during 2018 and 2019 which recorded nearly 9.3 million tons worldwide. Bangladesh, Vietnam, Pakistan and Turkey had followed China respectively, while some 9% of the cotton imports of the total world record were carried out by Turkey.

During the same period, the U.S. had the biggest share in the overall fiber cotton exports with 3.2 million tons and was followed by Brazil, India and Australia.

The report suggested that the expected shrinking in the garment and textile industry in China due to the coronavirus outbreak – which had already caused factories to be shut down, cities to be locked down and flights to be canceled along with its already-visible impacts on the world economy – will increase the textile demand from Turkey, adding the demand is expected to be met with domestically produced cotton.

It is expected that big European brands will return to Turkish companies especially for fast order products, it noted.

Burak Sertbaş, chairman of the Aegean Garment and Apparel Exporters' Association, who was quoted by Turkish daily Dünya, on the other hand, argued that although the order shifts will have positive effects, the effect on the figures will be limited.

It was noted in the ministry report that in relation with the developments, the prices of Turkish cotton is also expected to increase, along with an increase in the global cotton prices, which had saw a decline earlier.

The cotton cultivation areas in Turkey were 4.3 million decares in 2015 while it increased 12% in 2019, reaching 4.8 million decares. The total production also increased by 5% in 2019, reaching up to 2.2 million tons while it was 2.1 million tons in 2015. However, the average yield, which was 472 kilograms per decare in 2015, dropped to 460 kilograms last year.

The six provinces that met nearly 84% of Turkey's cotton production last year were Şanlıurfa, Aydın, Diyarbakır, Hatay, Adana and İzmir with 37%, 11%, 11%, 10%, 9% and 6% respectively.

Steel exports on rise

The export figures in Turkey's steel industry, are also one of the positively affected, as the country's steel exports to Asian and African markets has already been increasing especially within the last 15 days, after several Chinese factories halted production.

While the increase in steel product sales to African countries reached 15%, new orders are coming from Singapore, Hong Kong, the Philippines, Malaysia and Bangladesh, which were markets that Turkish exporters had difficulties in entering before.

Aegean Iron and Steel Exporters' Association Chairman Yalçın Ertan stated that if this trend continues, they expect at least 1 million tons in additional exports, when compared with figures recorded in 2019

Mining industry sees decline

The impacts of the coronavirus outbreak on the natural stone and mining industry are also being monitored closely, as Turkey exports natural stones to China worth approximately $700 million annually. Disruption of loading and unloading at ports in China and the halt of construction projects also reflected on marble and travertine exports from Turkey. China is Turkey's biggest buyer of those two products.

The Xiamen Natural Stone Fair in China, where Turkish exporters have been attributed great importance, has already been postponed while it does not seem possible for Chinese buyers to come to the Marble Natural Stone Fair which will be held on April 1-4 in western Turkey's Izmir province.

Aegean Mine Exporters Union Chairman Mevlut Kaya said the mining sector is the largest sector in Turkey that was negatively impacted by the virus outbreak, noting that they started sending medical masks to China instead of natural stones.

Exports from the Aegean region, which sent the most stones to China, decreased in February by 54.5%, he noted. "Instead we sent 20,000 to 30,000 masks to China after receiving demands via their social media application WeChat," he said.

One of the indirect effects of the coronavirus on Turkey's economy is freight prices.

Failure to load and unload at Chinese ports caused problems in container traffic across the world, such as difficulties in finding empty containers for exports, said Izmir Taner İzmirlioğlu, a board member of International Transport and Logistics Service Providers Association (UTİKAD) and the Chamber of Shipping.

"Ship owners started to increase freight as they had to bring empty containers. One of the well-known major ship-owner companies announced that they will increase the price for some $100 to $200 depending on the container capacity. This will increase our export cost by 5 to 25% depending on destination," he said.

Source: dailysabah.com-Feb 23, 2020

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Pakistan: Readymade garments worth $1.680b exported

The exports of ready made garments from the country during first seven months of current financial year increased by 10.84% as compared the exports of the corresponding period of last year.

During the period from July-January, 2019-20, about 35,375 thousand dozens of ready made garments worth $1.680 billion exported as compared the exports of 29,239 thousand dozen valuing $1.516 billion of same period of last year.

According the data of Pakistan Bureau of Statistics, during the period under review country exported textile products worth $8.099 billion which was up by 3.68% when it was compared with the exports of the same period of last year.

During last seven months of current financial year exports of raw cotton grew by 9.99%, cotton yarn 0,78% and other textile materials grew by 11.97%.

Meanwhile, 72,577 thousand dozens of knitwear valuing $1.832 billion were also exported as compared the exports of 69,406 thousand dozens worth $1.724 billion of same period of last year, which was up by 6.27%.

During last seven months, bed wear exports increased by 2.77% as 272,964 metric tons of bed wear costing $1.392 billion exported as against the exports of 248,652 valuing $1.354 billion of same period last year.

However, the exports of towels decreased by 0.52% as towels worth $44.110 million exported as against $446.448 million of same period of last year, the data reveled.

Source: pakobserver.net-Feb 23, 2020

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Pakistan's textile sector jumps to full capacity production

The textile manufacturing sector – the single largest export-oriented sector of Pakistan – has spiked to full-capacity production after the government withdrew duties and taxes on import of the raw cotton in January.

Besides, Islamabad is getting higher export orders for textiles since China, the single largest textile exporter at world across, is lying closed to fight against the deadly coronavirus for the past couple of months. “Pakistan (textile sector) is working on full capacity,” All Pakistan Textile Mills Association (Aptma) former chairman Asif Inam told The Express Tribune on Saturday.

“If all goes well, the developments in textile industry support…the government to achieve the set export target of $24-25 billion this fiscal year (July-2019 to June 2020),” he said.

“We don’t have the capacity to take additional export orders these days. We have entered into the capacity constraint zone,” he said. He said there is a 26% volumetric growth in textiles export. “This (26%) was the capacity in surplus till recent months. The government has fully utilised that,” Inam same.

State Bank of Pakistan Governor Reza Baqir said the other day there was up to 40% volumetric growth in textile exports. Besides, the export of finished goods is on the rise, while export of raw material, including cotton and yarn are on a downward trend, which are positive developments for Pakistan’s economy.

Pakistan has continued to receive good export orders, including in the downstream industry. “The world textile buyers have diverted their purchasing orders to Pakistan since China (70-80% production) is closed to fight against spread of the coronavirus,” Inam said.

The virus has disrupted the world. A significant number of countries have been affected by the virus, as over 2,300 people have died and over 75,000 people got infected.

The official claimed that the textile exports could be doubled over the next five year if the government overcomes the high energy pricing, gas connection and tax refund issues. The Aptma has demanded a long-term five-year textile policy from the government. "Once the government announces the policy, the textile exports will start growing at 10-15% per annum over the next five years," he added.

Cotton import

He said Pakistan is estimated to import around 7.5-8 million bales (of 170 kilogram each) this fiscal year after local production came almost half of the required 15 million bales in FY20.

They will be record high import in Pakistan. Pakistan has produced around 7.5-8 million bales so far, which comes to around half of the domestic requirement.

"We have so far imported around one-third of the total required quantity of imported cotton at 7.5-8 million bales. We will import around 70% of that over the next two-three months and remaining in the rest of the period of FY20," he said.

The import of cotton paced up following the government withdrew 3% regulatory duty, 2% additional customs duty and 5% sales tax on import of cotton from January 15, 2020.

The imposition of the duty and taxes on cotton import by the previous government in the centre had put the textile industry in danger.
"The withdrawal of duty and taxes has fully mitigated the risk of decline in cotton consumption in Pakistan.

USAID has recently anticipated increase in consumption of cotton at textile industries in Pakistan. We will use at least 15 million bales this year (FY20)," Aptma former chairman said.

Source: tribune.com.pk-Feb 23, 2020

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Turkey's booming textile industry now employs over 1 million, minister says

Turkey's textile and the ready-to-wear industry currently employs more than 1 million people, Trade Minister Ruhsar Pekcan revealed Saturday as the industry experiences a recent boost due to global production shifts to the country from China over the coronavirus outbreak.

Speaking at a meeting organized by the Istanbul Textile and Apparel Exporters Association (İHKİB), Pekcan said the textile and its sub-sectors are now employing a total of 1.67 million people, adding that this number will be rising in the upcoming years as a result of new investments and rising exports.

The minister emphasized that the textile industry was one of Turkey's key engines of growth and innovation that create added value.

"Despite the protectionist inclinations of current global trade, the Turkish textile industry has managed to preserve and improve its position in the international market thanks to its strong internal dynamics, innovative branding and design ideas," Pekcan said.

She said Turkey's advantages included a skilled workforce, competitiveness and high manufacturing, service and supply flexibility due to its geographic position.

Turkey exported some $17.7 billion ready-to-wear products last year. Turkish manufacturers are now looking to catch the window of opportunity created by coronavirus-hit China, which is expected to experience production delays for five-six months this year.

According to experts, Turkey's garment exports are projected to rise by 10% due to the outbreak. İHKİB head Mustafa Gültepe said the sector had the capacity to take on additional orders as both new and existing clients increasingly contact Turkish factories.

The trade minister added that Turkey is now looking to shift its production up-market not only in the clothing sector but in other manufacturing industries as well: "Our goal is no longer to sell cheaply but to sell high-quality products with added value."

She said her ministry was working together with the private sector to increase added value to exports and introduce innovative products.

Turkey's apparel looks to increase its exports to $19 billion in 2020.

According to İHKİB, the sector had a 10.1% share in the country's overall exports of $14.8 billion in January 2020, reaching an export figure of $1.5 billion, up by 5.8% in the same month last year. Nearly 73.4% of exports were made to EU countries, with Germany and Spain being the main destinations.

Source: dailysabah.com-Feb 23, 2020

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Pakistan: Textile industry cautions govt against losing 'golden opportunity

While India's textile industry is all set to capture $20 billion (Rs3,086 billion) market opportunity created by shutdown in China in the wake of coronavirus outbreak and Bangladesh and Vietnam are also gearing up to ensure their share, but Pakistan's textile industry is struggling for the implementation of all inclusive electricity tariff of 7.5 cents per unit as the Power Division has included more surcharges in the bills owing to which power tariff for export industry has gone to 13 cents per unit.

This situation will not only make Pakistan's textile products in international market non-competitive, but also make industry vulnerable enough not to grab the opportunity created in world market because of China shutdown and if the tariff of 13 cents per unit continues to appear in bills then there is fear that process of deindustrialisation may start, triggering massive unemployment and unrest in the country.

This is the essence of the letter written by Executive Director All Pakistan Textile Mills Association (APTMA) Shahid Sattar to Abdul Razak Dawood, Adviser to Prime Minister on Commerce, Textile, Industries and Production and Investment written on Friday.

According to a copy of the letter with subject 'Golden opportunity to increased export market share being squandered' APTMA mentioned that Indian Textile Secretary Ravi Capoor has called for the textile industry of

India to rally and grab the opportunity created by the shutdown in China. In this connection, the government of India is extending all possible support to the industry to capture as much of the estimated $20 billion market opened up. Bangladesh and Vietnam are similarly gearing up.

Unfortunately, in Pakistan, the confidence of the industry and investors has been shattered by the Power Division’s move to impose additional costs or surcharges over above the all-inclusive 7.5 cents per unit approved by the ECC and cabinet vide SRO 12 of January 1, 2019.

Further clarification that the 7.5 cents per unit was all inclusive was given on February 8, 2019 and March 29, 2019. APTMA in its communication to Abdul Razak Dawood said that the intent of regionally competitive energy tariff is being nullified by the Power Division’s letter dated February 10, 2020 which has resulted in billing of these unjustified arrears from January 2019.

Pakistan’s textile sector is currently operating at near full capacity and directly in need of fresh investments for modernisation, expansion and new projects in order to meet export orders.

As a result of the short-sightedness of the Power Division, APTMA in the letter says, what to speak of expansions or new projects, even the currently operating companies are likely to go out of business leaving millions workers direct and indirect out of work. “This will surely cause civil unrest dues to the sharp increase in unemployment.”

“If the Power Division’s ill-advised about turn on the matter of the all-inclusive 7.5 cents per unit electricity tariff for export sectors is not corrected, we will not only lose this once in a life time opportunity for enhancing exports but also head towards pre-mature deindustrialisation, massive unemployment, a precipitate falls in exports,” says the letter.

In the interest of Pakistan, APTMA requested the adviser’s assistance in correcting the grave error being enacted. Shahid Sattar in the letter hoped that the adviser will also raise voice with textile industry to correct the injustice being meted out to exporters. Shahid Sattar reiterated that the industry is committed to rapidly increase exports and capacity to meet the enhance export orders and capture as much of the opportunity as well provided the regional competitive tariff of 7.5 cents earlier approved by PM, ECC, cabinet and then notified too is fully implemented.

Source: thenews.com.pk-Feb 23, 2020

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Pakistan: FTAs not benefiting as Pakistan faces drop in exports for last 2 months

As none of the free trade agreements has boosted ex-ports from the country so far, the Friends of Economic and Business Reforms (FEBR) has recommended the govern-ment to review its trade and export policies with a keen focus on value-addition for a sustainable economic trajec-tory, as the government has been facing decline in exports by over 3 percent in Jan 2020 despite depreciating curren-cy and taking several other measures.

FEBR President Kashif An-war said that country's ex-port of merchandise has post-ed negative growth over the past two consecutive months despite multiple currency de-preciation.

"So far none of the Free Trade Agreements (FTAs) or preferential treaty with any country has helped enhance exports from the country af-ter its implementation while the volume of imports has seen double-digit growth af-ter those agreements with different countries."

Contrary to the expecta-tions, exports entered nega-tive growth of 3.17pc to $1.97 billion in Jan 2020 as against $2.03bn over the correspond-ing month last year.

He said that the drop in exports' proceeds has start-ed since Dec 2019 when it fell by 3.8 percent while a similar quantum of decline was seen in January 2020.

He said that the large scale manufacturing sector of the country has already been in negative growth since July 2019 but still the commerce ministry's focus is on ne-gotiations for international trade agreements and market access. Between July 2019 and Jan 2020, the export pro-ceeds' growth lowered by 2.14pc as it stood at $13.49 billion against $13.21 bil-lion over the corresponding months last year.

Kashif Anwar said that the numbers are discourag-ing as exports, which should have grown over the last few months owing to multiple currency depreciation, have failed to pick up.

The government projects exports during the ongoing fiscal to reach $26.187bn, up from $24.656bn in FY2019.

On the external side, im-ports are still dropping, which is providing some breathing space despite negative growth in exports from the country. The FEBR chief appreciated the gov-ernment's efforts to narrow down current account defi-cit but warned the authori-ties that balance of accounts should not be at the cost of local industry's growth.

Kashif Anwar said the gov-ernment strict import policy along with high cost of doing business owing to multiple raises in fuel cost and energy tariffs have almost halted the industrial production.

The current account deficit reduction should be based on growth in exports, resulting into growth in industrial pro-duction as well as employ-ment generation.

But unfortunately the pres-ent turnaround is largely due to the fall in imports that has accompanied sharp slow-down in growth after the currency devaluation and gradual increase in interest rates, which sent shockwaves through the economy.

Source: nation.com.pk-Feb 23, 2020

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NATIONAL NEWS

Tax parity needed between cotton and man-made fibres, Smriti Irani to Sitharaman

Textile minister Smriti Irani has approached finance minister Nirmala Sitharaman seeking her intervention to ensure parity of the goods and services tax (GST) rates between cotton-based and man-made textiles, and undo a historical imbalance in favour of the natural fibre-dominated value chain that has hurt the country's export prospects.

Irani has also pitched for correcting a crippling indirect tax structure in the man-made textiles segment, in which GST rates are high at the raw material stage and the ITC (input tax credit) process takes time, acceding to a long-pending request of the textile industry, sources told FE.

Decisions on GST rates, of course, are being taken by the GST Council that comprise both the Centre and states, either by consensus or majority vote. While the GST on cotton and textiles made of it stands at a uniform 5% across the value chain, the rate for synthetic fibre is 18%.

Man-made filament/spun yarn is taxed at 12% and fabrics 5%. This is despite the fact that man-made textiles make up for as much as 65-70% of global demand and consequently hold immense export potential. In India, however, cotton textiles account for around 70% of the market.

Coupled with rigid labour laws and elevated logistics costs, this distortion — caused by policy interventions for decades — has stunted the country's ability to raise garment exports exponentially.

Earlier this week, textile secretary Ravi Capoor told a gathering of industry executives that while China has "vacated the apparel market worth $20 billion over the past three years", mostly in the technical textiles segment, India has barely gained, and Vietnam has emerged as the biggest beneficiary.

China has been cutting down on its exports in labour-intensive sectors, as it moves up in the global value chain and focusses on hi-tech products.

The latest move comes at a time when outbound shipments of textiles and garments shrank 6.4% year-on-year in the April-January period (even on a favourable base), aiding a decline in overall exports that have contracted for a sixth straight month through January.

As such, the labour-intensive sector's share in the overall merchandise exports has been sliding consistently in recent years, having dropped from as much as 13.7% in FY16 to just 10.6% this fiscal (up to January), the lowest in around a decade.

While a parity in the tax structure for cotton and man-made textiles has long been sought, industry executives are more optimistic about the structural change now, emboldened by the fact that the Budget 2020-21 took a big step by ending an anti-dumping duty on purified terephthalic acid (PTA), which is used for making polyster staple fibre, filament yarn and film.

High duty incidence on PTA imports was a cost push across the value chain and was one of the sources of weak pricing power of the downstream synthetic textile industry in export markets. In a recent reply in Parliament, Irani highlighted that uneven GST rates had led to an inverted duty structure in the man-made fibre textile value chain.

Sanjay Jain, former chairman of the Confederation of Indian Textile Industry (CITI), said even though refund of inverted duty is permitted under the GST regime, the process takes time, effectively blocking working capital of companies for months.

According to OP Lohia, chairman of Indo Rama Synthetics, the GST should have a uniform rate structure for all fibres and this disparity between natural and man-made fibres must end.

When the GST was introduced in 2017, the tax incidence of 18% for man-made fibre was retained (earlier it was 17.5%, including both the excise duty and value-added tax) but it didn't bridge the gap with the cotton fibre.

Source: financialexpress.com- Feb 24, 2020

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What can the government do to save textile mills?

Reeling under severe cash crunch, textile units hope the Centre will play the white knight

The Indian textile mill industry, which employs about 10 crore people directly and indirectly, is at a crossroads. Many of its players — one in every three, to be precise — are facing a severe cash-flow crisis. If the Centre doesn't lend a helping hand, over the next few years many textile companies will go belly up, resulting in large scale job losses.

A study commissioned by the Indian Texpreneurs Federation (ITF), an association representing the entire value chain of textile manufacturing in Tamil Nadu, and done by CRISIL, found that many textile companies in the country are under working-capital stress.

The study, which BusinessLine is privy to, covered a total of 1,150 spinning mills and 700 ready-made garment units, capturing a third of the industry in terms of revenue. In 2017-18, the 1,150 spinning mills recorded a revenue of ₹2.17- lakh crore, but an aggregate profit was only ₹2,177 crore — a net profit margin of just 1 per cent. Equally bad was the condition of ready-made garment mills — a total revenue of ₹89,271 crore and a net profit of ₹1,161 crore, which is a profit margin of 1.3 per cent.

There are at least 600 companies that have 5-7 per cent net profit margins, but the loss-making small spinning mills and ready-made garment units pulled down the profit margin to 1 per cent for the sample group in the study.

Weak financials

The pressure on profitability has increased in recent years. A drop in demand for textiles following the euro zone crisis, the US-China trade war and high volatility in cotton prices (price per candy of cotton has been vaulting between ₹38,000 and ₹48,000 over the past two years) have played spoilsport.

Cotton yarn exports in the first nine months of 2019 were down by 50 per cent over the same period in the previous year.

While large mills with cash in coffers have managed, weaker units with funding constraints have been bleeding.

Ideally, for any capital-intensive business, the operating profit margin should be at least 12-14 per cent, but the operating profit margin of the 1,150 spinning mills that were analysed by CRISIL was 7.8 per cent in 2018.

The rating agency expects this to worsen to 6.9 per cent in 2019 and 5.4 per cent in 2020. The shortage of working capital puts mills at a disadvantage on many aspects. One, while mills that could pay in cash in 7-15 days can buy cotton at a lower price, others have to pay extra.

In the last cotton year, for instance, while those who could buy in cash paid ₹120-122/kg for cotton fibre, mills that asked for a longer credit time were charged ₹133-135/kg by ginners. Further, the players who buy on a long credit get poor quality cotton, hitting their realisation.

Prabhu Dhamodharan, Convenor, ITF, says if there is working capital support, the distressed mills can see an improvement of 6-7 percentage points in their operating margins. “While on one side they will save 4-5 per cent on raw material cost as they will be ready to pay the supplier in cash, on the other side, they can sell directly to customers and not go through traders and realise ₹4-5/kg higher on yarn. If funds are available, mills can also invest in process efficiency which will bump up margins.”

Solution

Banks have been hesitant to lend to textile companies. Even those companies that give collaterals get loan only to the extent of 50 per cent or less from banks, say mill owners.

This has blown up the liquidity crisis in the sector. As per the CRISIL report, the gross bank credit to the textile sector has not increased much since 2014-15 and has been to the tune of ₹2-lakh crore.

While the fear of banks is not without a reason, if there is no additional funding for these units, they may soon turn NPAs (non-performing assets). If the Centre is able to nudge banks to do a case-by-case appraisal and lend, many good mills that are grasping at straws will revive.

A moratorium for existing loans, for at least two years, will reduce the pressure on mills immediately. However, this will not be sufficient, says Dhamodharan. “Fresh funding will also be required, in addition to converting existing working-capital loans to long-term loans for 5-7 years.”

If banks want to avoid an NPA trap in future, they have to do some fresh lending to spinning mills and ready-made garment units now. Banks can have an enhanced surveillance mechanism and keep a check on the way mills are putting the additional funds to use.

Members of ITF have taken the grievances of the industry to the Textile Ministry and are hopeful of a positive outcome soon.

Source: thehindubusinessline.com- Feb 23, 2020

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Textile champs in the works: Government plans to handhold top companies to meet demand

India will soon firm up a plan to handhold top textile companies to help them achieve sufficient size and scale to cater to worldwide demand. The aim is to create a few global champions to boost exports through fiscal benefits and adequate infrastructure support by the states.

A senior government official told ET that a policy is being finalised to address the lacunae under existing textile-related schemes and come up with parameters that will help identify states through the challenge method to set up textile parks with all forward and backward linkages available in the same place to make India cost competitive.

“A proposal will be submitted to chief secretaries of all states for consideration as the Centre plans to rope in states,” the official said.

The government plans to set up 1,000-acre mega textile parks as it revamps the Scheme for Integrated Textile Park as part of the New Textile Policy. Top policy measures that are being considered include significantly raising the cap on investment under the existing scheme that will prompt companies to set up mega manufacturing units in one place and undertake technology upgradation.

Currently, different subsidies are capped at lower investment levels, prompting companies to remain small and scattered.

"Besides, the Centre will soon float a challenge method for states to come on board for setting up such mega textile units by providing land, electricity and water at reasonable cost," said the official.

Preference will be given to coastal states and states with abundant water availability for such mega units in the long run.

The Niti Aayog recently held a meeting with top officials of all stakeholder ministries and industry executives to understand issues restricting growth of the sector and measures needed to give an immediate push to firms to scale up.

It's estimated that Indian textiles are 14% more expensive than those made by units in China, Bangladesh and Vietnam due to high logistics costs. The plan, if successful, could be replicated in other sectors such as IT and fisheries as the government strives to push Indian exports, which have been stagnant at $350 billion over the past several years.

The benefits could be restricted to apparel, fabric, made-ups and technical textiles, including manmade fibre, because of the substantial value addition in these sectors.

Another official confirmed to ETthat the focus is on manmade fibre (MMF), technical textiles and garments as the government is looking for a few champion companies.

As per an industry representative, the plan is twofold--to promote champions in existing textile subsectors and identify new ones in new product lines.

The champion companies or star trading houses get certain benefits such as self-declaration during customs clearance and exemption from furnishing bank guarantees for availing of export promotion schemes.

“Globally, the growth is in manmade fibre. In India, the share of cotton textiles is 60% and the rest is synthetic while the trend is the opposite elsewhere,” said a Delhibased exporter of textiles.
Commerce and industry minister Piyush Goyal recently said the government is focusing attention on manmade fibre as the world has moved to this. India has been focused on cotton textiles over the years, he said.

Source: economictimes.com- Feb 23, 2020

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Textile association chants management mantras

The Indian Texpreneurs Federation (ITF), which has 450 members in the state from across the textile value chain, has zeroed in on four core areas — integration, sustainability, financial restructuring and leadership skills — based on a research. It would apply these to improve overall business performance of textile industry in the state in the financial year 2020-21, ITF convener Prabhu Dhamodharan said.

The core areas were decided based on a research ITF did along with research firm Crisil Limited. While the association members are practising concepts such as sustainability and leadership training, they seek to increase participation in the next fiscal.

Value-addition is the way forward for the textile industry, Dhamodharan said. “The pressure on standalone spinning mills is higher than that on integrated or semi-integrated textile units.

Of the 87 lakh spindles units represented in the federation, only 20% are integrated. It’s the right time for standalone spinning companies to move up the value chain to make value-added finished products. For this, ITF would set up an advisory cell with industry and external experts to guide members to step into integration and make high value-added products to improve their financial performance.”

Speaking of sustainability, the official said the State is leading in areas such as zero liquid discharge and the use of green energy. "Power accounts for 10% of the yarn cost. We are planning to bring down energy consumption. Ten ITF members have GreenCo certification and seven have Higg Index. We plan to triple these numbers," he said.

However, many textile firms couldn't afford the measures due to working capital crunch, said Damodharan. "We have requested the ministry of textiles for a one-time financial restructuring. This includes converting of working capital loans as long-term loans in account of non-availability of working capital, a moratorium of two years and infusion of new working capital."

The federation is also planning to provide leadership training to managers and supervisors. "We had trained 400 managers and supervisors at the ITF Leadership Academy last year in areas such as communication skills, emotional intelligence, innovation and creativity. As a result, teamwork has become better. We plan to train 1,000 more managers and supervisors from textile firms in the coming financial year."

Source: timesofindia.com- Feb 24, 2020

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India can be the next big global supplier

Over the past decade, China has been one of the world's fastest growing economies. It has become central to the global supply chain. But currently, its going through a black swan event, which will have a significant impact on global trade dynamics.

The unfortunate impact of coronavirus has already started showing effects across supply chains of most global companies. At the current levels, the GDP growth in China during the first quarter is expected to fall as low as 4 per cent and, if the effect of outbreak continues, the adverse effect on annual growth could be much worse. China's top exports include products such as electrical machinery, appliances and equipment. India's exports are dominated by mineral products, chemicals and precious metals.

The current disruption in China will essentially mean reshaping of global supply chains, providing a window of opportunity to India. Most global companies are looking to mitigate their 'China' exposure and create alternative supply options. Travel restrictions may dissuade companies from undertaking new product development in China for some time.

Given the dynamics of world trade, other Asian economies like Vietnam or Thailand are the first stop for these global companies. A window is now open for India to take immediate steps to position itself as an attractive alternative sourcing destination to China.

A sourcing destination

The story of India in manufacturing exports, with some notable exceptions, has been one of unrealised potential, and we are a local production and consumption focussed nation. China's GDP per capita is five times that of India's and its manufacturing sector is 10 times bigger than India's.

Chinese industry has become globally price competitive by virtue of its large production volumes driven by domestic consumption. In addition, the Chinese government has supported creation of large excess capacities for exports.

Creation of special economic zones and industrial clusters has helped the Chinese to create export champions. Indian industry can do the same, provided we encourage growth in domestic consumption by moderating taxes and support risk taking for capacity creation.

The reshaping and de-risking of global supply chains can help position India as a sourcing destination, subject to the government taking courageous and quick steps to focus on exports. The government should immediately initiate a dialogue with exporters as well as industry bodies to chalk out a rapid action plan for the same.

Land availability, cost of capital, technology, absence of global scale manufacturing, poor logistic infrastructure are some of the pain points restricting the growth of Indian industry. Commodity prices in India remain higher as compared to China. Also, countries like Vietnam have free trade agreements which allow them to import raw materials at low cost.

Way forward

Compared to the 10-12 per cent cost of borrowing in India, Chinese borrowing costs have fallen to 1.5 per cent after their recent stimulus package. The government should bring down the cost of capital and improve availability, especially for export and import substitution projects. To provide an immediate boost, interest rates should be slashed drastically or subvented making cost of capital globally competitive.

In addition, duties on raw materials like steel should be reduced to help in local capacity creation. To encourage global companies to set up units in India without a long gestation period, the government should consider providing “plug and play” infrastructure. This facility should disaggregate assets such as land, building, common infrastructure services, and plant and machinery.

Flexible terms and competitive rentals in these mega parks should also be considered to encourage more participation. Mega benefits for new export units for limited period should be provided to kick-start this activity. Also, labour laws should be relaxed in line with those of competing countries in Asia. The advantage of lower labour costs in India than China can mean higher exports in sectors such as textiles and garments, provided we relax labour laws to encourage employment rather than employees .

The government should create an empowered joint industry government task force to help in building awareness of India as a sourcing destination. It should launch an India sourcing portal like Alibaba where qualified products and services can be listed. The US is the biggest consumer market and currently has an ongoing trade war with China. We need to focus our efforts on increasing exports to the US, especially in sectors where we can be competitive. As part of this effort, trade delegations should be sent to the US and other large consumer markets.

Who should act?

Manufacturers: They should identify how to approach customers and segments which earlier may not have been receptive; support global customers to establish deeper linkages in India by supporting tier 2 sourcing; and ensure exceptional quality (this is the time to create visibility for Brand India, inferior quality product will do more harm than good).

Bankers: They must step up credit support to exporters.

Commerce and External Affairs Ministries: They should provide additional export benefits for three to six months like increased MEIS; activate export promotion councils; ensure quality norms and better incentives to those who get certified for quality products from accredited certifying agencies; release all pending refund, scrips, norms fixation cases on urgent basis that would put money in hands of exporter and send a positive signal across industry spectrum; Indian consulates must act in mission mode to support Indian companies to identify export opportunities. The power of these missions can be focussed on export diplomacy for the next year; and use the power of the Indian diaspora to support sourcing efforts from India

State governments: They must tie up with the Central government for arranging exhibitions; and give special subsidies for exports for a limited period

Export promotion councils, trade associations like CII and FICCI: Sensitisation of trade; build synergies along their members representing government; ensure quality in Indian products sent abroad; open export support cells; and work as trading house for exports by members so that small manufacturers can concentrate on manufacturing or processing and rest is taken care of by them.

Shipping, road transport and railways: Ensure smoother and faster clearances (benchmark must be China); take up road augmentation work for roads connecting to ports from industrial centres; and support lower cost transport by railway to compensate for higher Indian logistic costs

The RBI: It must modifying CRR/SLR norms to ease liquidity; devalue the rupee to promote exports; and ensure faster credit to worthy exporters.

To capture the short window which is available, the government will have to take many bold and quick decisions to showcase that India is ready to fill the vacuum in trade which is created.

Source: thehindubusinessline.com- Feb 21, 2020

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India Inc moves to fill the void left by China in wake of coronavirus woes

India is looking to position itself as an alternative manufacturing destination for global companies after the coronavirus outbreak exposed how heavily they are reliant on China for raw materials and production.

Top government officials are holding meetings with industry representatives as the disruption in China due to a lockdown in huge swathes of the country has opened up opportunities for India to emerge as an alternative manufacturing destination.

“There is a lot that needs to be done. India needs to work on many issues such as taxation, regulatory mechanism, factor markets, the financial sector and data privacy," contended N.R. Bhanumurthy, professor at the National Institute of Public Finance and Policy. Countries such as Indonesia and Vietnam would also try to seize the opportunity, he said. “Historically, we tend to move two steps forward and one step back on reforms."

Emerging nations such as Vietnam have been attracting global manufacturers because of fewer regulations, lack of bureaucratic red tape and lower wage bills, although India has more skilled workers well-versed in information technology. Now, the imminent supply disruption from China is forcing India to take a hard look at the road ahead.

The need for India to build up self-reliance on manufacturing has become even more urgent as the deadly virus has spread to other manufacturing hubs such as South Korea, Singapore and Taiwan.

As part of the plan to attract global investments, the environment ministry now aims to streamline processes and fast-track clearances for establishing manufacturing units for drug raw materials. Indian drug makers rely on China for over two-thirds of the supply of bulk drugs—key ingredients that give medicines their therapeutic value.

Three years ago, a draft pharmaceutical policy had proposed an enabling environment for mega bulk drugs industrial parks. It was not implemented due to a lack of urgency as supplies were coming from China, an official said on condition of anonymity.

“The coronavirus outbreak in China provides India an opportunity to increase capacity of bulk drugs in India," said Bulk Drugs Manufacturers Association president V.V. Krishna Reddy. “India being the second-largest producer of bulk drugs in the world is best placed to provide an alternative to China in terms of API (active pharmaceutical ingredient) source. However, this would require a lot of investment and a strategic plan for the next 20-30 years."

“The industry requires dedicated industrial parks providing effluent treatment facilities and solid waste disposal sites, apart from cheap power and finance at competitive rates, among others, to close the gap with China," he said.

Environment clearances take months for such API units and this hampers industrial capacity and utilization. India has an average capacity utilization of between 30% and 40% as against China’s 75%. Industry experts said the government’s lackadaisical attitude has exacerbated this problem gradually, according to a report from the commerce and industry ministry.

Indian manufacturers already sense a business opportunity and have ramped up production of medical goods such as masks. This comes amid a worldwide shortage because of a surge in demand in China.

Besides, lingering tensions between the US and China on trade issues may prompt Western manufacturers to shift to India if a conducive policy framework is provided, industry executives said.

Click here for more details

Source: livemint.com- Feb 23, 2020

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Govt to reveal steps on trade issues over coronavirus soon, FM chairs meet

Finance Minister Nirmala Sitharaman on Thursday chaired a meeting of secretaries to assess the impact of the deadly Coronavirus outbreak on India, as the Centre chalks out measures to address trade concerns.

The Finance Minister reviewed the preparedness to deal with the issues surrounding the outbreak at a time when several sectors, including manufacturing and distribution, raised concern about businesses taking a hit and prices soaring. The Finance Ministry is likely to announce measures to deal with the issues over the outbreak after a meeting with the Prime Minister's Office (PMO).

Earlier in the day, the industry body, Federation of Indian Chambers of Commerce and Industry (Ficci) pitched for incentivising local manufacturers to exhort them towards making investments and tackle supply disruptions. "There should be incentives and other opportunities to fast track investments in India and position India as an alternative source," Secretary-General, Ficci Dilip Chenoy said.

Both, the finance ministry and the Niti Aayog were "very responsive and the idea of doing sectoral approach to this (problem) and setting up of an inter-ministerial coordination system to address was also appreciable", the secretary-general told PTI.

While the finance minister had earlier denied there was a shortage of raw materials in the manufacturing sector, Niti Aayog along with top executives of the pharma industry and senior officials discussed ways to boost domestic manufacturing of Active Pharmaceutical Ingredients (APIs) amid concerns of a disruption in supplies from China.

China accounted for 67.56 per cent of total imports of bulk drugs and drug intermediates at $2,405.42 million to India in 2018-19.

The pharma industry, one of the worst affected in the weeks after the epidemic, is under severe pressure as drug prices shoot up. Prices of several drugs including antibiotics have soared at least 15-50 per cent over the possibility of curtailed supplies.

Business leaders have been demanding cuts in import duties on antibiotic drugs, mobile parts and other items. The Covid-19 outbreak has hit India's manufacturing and exports of medicines, electronic, textile and chemicals as China is the biggest source of intermediate goods, worth $30 billion a year

In a meeting with trade bodies and industry leaders on Tuesday, Sitharaman had said, "We need to ready our ports as the manufacturing sector is affected due to congestions and there might be a rush of raw materials from China when the situation improves in the coming months."

Source: business-standard.com- Feb 20, 2020

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Trump rules out signing trade deal during India visit

US President says he will save it for later on; New Delhi maintains it has to be a ‘win-win’

A trade deal between India and the US will not be sealed during US President Donald Trump’s visit to India next week, both the countries have confirmed. While Trump said that he was saving the big trade deal with India for later on and was not sure if it would happen before the US elections, Indian officials on Wednesday said that New Delhi did not want to rush into a deal.

“Well, we can have a trade deal with India, but I’m really saving the big deal for later on. We’re doing a very big trade deal with India. We’ll have it. I don’t know if it’ll be done before the election, but we’ll have a very big deal with India,” Trump said, answering questions from the media before taking off for a four-day trip to the West Coast on Tuesday. The US Presidential election is scheduled in November this year.

India will enter into a new trade deal only after weighing all the pros and cons as it is still suffering the consequences of the free trade pacts signed in 2010-11, a government official said.

“We want to look into the future and work on a win-win situation with no compromises as many decisions have an impact on people’s lives,” he said.

The wish-list

The US has a big wish-list for the proposed trade pact. The list includes no price caps on medical equipment; greater market access for dairy products; zero import duties on mobile phones, motor bikes and high-end IT products; and lower tariffs on farm goods.

India, on the other hand, wants full restoration of the Generalised System of Preferences (GSP) benefits for its exporters, greater export of agriculture produce and a roll-back of penal duties on its steel and aluminium.

Trump said that though his country had not been treated well by India, he was very excited about his visit.

"We're not treated very well by India, but I happen to like Prime Minister Modi a lot. And he told me we'll have 7 million people between the airport and the event. And the stadium, I understand, is sort of semi under construction, but it's going to be the largest stadium in the world. So it's going to be very exciting," Trump said.

Source: thehindubusinessline.com- Feb 19, 2020

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Coronavirus impact: Containers from China languish at Indian ports on documentation woes

Global supply chain has been badly impacted due to Coronavirus outbreak

Thousands of containers that arrived from China post outbreak of Coronavirus are stranded at various Indian ports as documents giving details of goods inside the boxes that need to be given to Indian consignees are stuck inside locked offices of shippers at Chinese cities.

As a result, Bills of Entry (BoE) could not be filed with the Customs Department to clear the containers. BoE is prepared by shippers containing information of the goods inside the container, and is presented to Customs by the consignee for clearing the boxes.

The consignee or his agents need to file BoE with the Customs within 24 hours of the container's arrival in the port. If not, the penalty is ₹5,000 per day for the first three days of arrival and ₹10,000 daily thereafter.

"Most of the documents of the containers that landed at the Chennai port are locked inside the closed offices of shippers in China," said S Nataraja, President, Chennai Customs Brokers' Association (CCBA).

"We are unable to file BoEs with the Customs to clear the goods," he told BusinessLine. The penalty could run into a few lakhs of rupees if the cargo is not cleared in a few days, he added.

In a recent post-Budget interaction with Finance Minister Nirmala Sitharaman in Chennai, Nataraja urged waiver of the late penalty charges for goods arrived from China lying at Chennai port. Importers are unable to produce/receive the documents from their suppliers as Chinese offices were closed due to the virus outbreak, he told the Finance Minister.

It is a genuine case and the minister asked Nataraja to give details of the affected parties to the Customs Department for waiver of penalty. The details of the shipment from China are being produced to the department with nearly 35 containers identified so far at the Chennai port. There is no data on how many containers have come from China, he added.

Incidentally, a circular issued by the Commissioner of Customs, Chennai, on February 14 could give some reprieve for those seeking penalty waiver for goods landed from China.

To avoid recalling and reassessing the procedure for waiver of late fee, a separate option is provided for waiver of late filing charges to de-link it with assessment. This will remove the necessity for reassessment of the BoE wherever the charges are to be waived.

"The circular is an appreciable move, which will reduce the burden on the consignees due to non-payment of avoidable penal charges, especially for the Chinese goods where receiving documents itself is a challenge," said G Raghu Shankar of International Clearing and Shipping Agency.

Global supply chain has been badly impacted due to Coronavirus following disruption in shipping services. Maersk, the world's largest shipping company, on February 17 said that majority of Chinese provinces are gradually resuming work. However, labour shortage remains an issue for many factories due to local quarantine policies.

Abhik Mitra, Managing Director and CEO, Spoton Logistics, said that in fiscal 2018, India imported goods worth $73 billion from China. Closure of China-based factories, ports and warehouses will impact availability and prices of Chinese products in the short term.

However, in the long term, more vendors and OEMs could relocate at least part of their production base to India to de-risk their supply chains and benefit from a more diversified supply base, he added.

Source: thehindubusinessline.com- Feb 19, 2020

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India- Coronavirus will impact export-import, say MSMEs

Coronavirus has infected hundreds since the outbreak began in Wuhan, China, in December last year and has brought Indian industries to its knees, who are largely dependent on China for several raw materials to manufacture their finished products and goods.

There is also decline exports in January by 1.66 per cent at USD 25.97 billion during the month.

With major global players including China, which is now facing an epidemic like situation, is not only losing its sheen in exports but has dented its economy in a big way.

To get into more details, KNN India spoke to President of the Federation of Indian Micro and Small & Medium Enterprises (FISME) Animesh Saxena who asserted that it"s going to ruin Micro Small and Medium Enterprises (MSMEs) in the coming days.

"It will impact the import industry badly and to some extent it will disturb export industries also because many raw materials also come from China," said FISME president.

”Imports include materials like Pharmaceutical and auto parts while exports include materials related to textiles which we export. So, there will be a disruption in both sectors long with prices of the commodity going up,” Saxena added.

When being asked that instead of depending on China, shouldn”t India develop such parks or base from where raw materials can be produce to feed the India industries, Saxena replied, ”as of now, we haven”t develop such a big base in manufacturing sector.”

”The world is moving towards the global value chain. Wherever, the best commodities price is available let it be there and the other activity of theirs should be in another country. So, expecting everything is one country is a tough task and this won”t be competitive,” he asserted.

”Producing everything in our country is a wishful thing but it”s not logical and practical,” he said. On the other hand, a Lucknow based industrialist VK Aggrawal who is also past president of FISME opinined that industries like Pharmaceutical, electronics, renewable energy and telecom are heavily dependent on China due to which they will be brought down to their knees in the coming days.

”India will suffer a lot during this virus outbreak. Can”t say about the Gross Domestic Product (GDP) but banks will suffer, too” he said. Aggrawal, further said that some are people of the view that in this scenario some Indian industries will bloom but what i feel is that we are not ready for that.

”If the opportunities come then also we won”t be able to make use of that because we are not prepared,” he added. Meanwhile, Confederation of All India Traders (CAIT) has written to Union commerce minister Piyush Goyal urging him to convene a meeting of trade and industry immediately to discuss the current situation of Coronavirus impacting the trade and commerce of India.

The over-dependence on China for finished products, spare parts and raw material will cripple the trade and small Industries in India, if prevented steps are not taken by the Government to carve out alternate measures and bringing out an immediate policy to empower domestic trade and industry to maintain the supply chain.

Both B C Bhartia and Praveen Khandelwal, the President and Secretary General of CAIT, said that India"s trade and Industry is highly dependent upon China for broadly three reasons. We import finished goods which are re-distributed in the country, raw material which is being used for producing goods and import spare parts used in assembling the goods by traders and small Industries.

They further said, "Since, coronavirus broke out in January, the trade and Industry in China is closed and there is no manufacturing or supply of goods. Because of the deadly virus, the Indian importers have stopped imports of China and have cancelled their visits to China or other coronavirus affected Countries.

Generally, the importers keep stocks of these goods as a buffer stock for two months and now the situation has arisen when supply chain will get affected badly. The situation will become more vulnerable as it appears that even after resuming production in China, it will take months to have regular supplies from China.

They further said, "Under long term measures, the government should also carve out ways and means to ensure that over-dependence on any country should not happen as it will cripple our economy.

Source: hellenicshippingnews.com- Feb 22, 2020

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Government goes after 'intermediaries' to cut logistics costs for EXIM trade

Price regulation undesirable, says AMTOI

Intermediaries in the supply chain are staring at a bleak future with the government drafting new rules seeking to regulate their pricing in a bid to cut logistics costs for exporters and importers.

A Standard Operating Procedure (SOP) targeting the non-vessel owning common carriers (NVOCCs), freight forwarders and consolidators is being finalised.

The SOP seeks to standardise the plethora of local charges levied by these intermediaries into 10-12 heads and to levy these charges as per cost without adding any margins/profits. The intermediaries will be allowed to earn profit only on the freight head. There is also a thinking to check intermediaries from earning margins/money even on the freight component, a government official briefed on the plan said.

To add to the woes, the government is also pushing the Association of Multimodal Transport Operators of India (AMTOI) to undertake an internal audit of all its members for the last three years and to refund the local charges collected from customers.

"That's (refund) not going to happen," says Shantanu Bhadkamkar, President, AMTOI. "We as an association won't be able to do it. For the past, there is no law. So, the association can't do anything about the past. Future, we can work on. And, unless we have the status of self-regulating organisations, we won't be able to implement it", he stated.

Bhadkamkar said that the answer for one extreme - somebody doing wrong - cannot be another extreme.

"There has to be a balanced view. It was a distortion that was happening and it's happening even today - the exporter who controls the freight becomes the beneficiary. So, the exporter gets all the incentives because he controls the cargo at origin whereas at the destination, the importer ends up compensating the exporter at the origin".

Concerns

The Indian exporters, according to Bhadkamkar, gets a negative freight today, they don't pay freight for less than container load (LCL) shipments, but gets paid for giving cargo. And this distortion is happening not just in India, it's happening globally, he said adding that AMTOI was in favour of removing the distortions.

"If you put people to extreme, it will only lead to chaos and litigation. Asking for three years refund is not going to happen. If they refuse, what will you do. At the most, you can drive Indian freight forwarders, consolidators and NVOCCS out of business. In the process, you help shipping lines, all foreign shipping lines, become powerful and Indian freight forwarders, consolidators and NVOCCs will perish. That is the only thing that can be achieved out of it. Today, three shipping lines and three consortia control everything, they will dominate the market and become cartels," he asserted.

The government's move will not reduce the logistics costs.

Cost concern

The cost will only increase because India's exporters/importers don't know the global freight market and won't be able to negotiate.

Bhadkamkar said any law/new rule have to be applied prospectively and not retrospectively.

"If you try to terrorise people by asking for refund of three years money, people will fight with every ability at their disposal or they will close shop and they will not pay. Three-years refund, no matter what happens, is unimplementable," he said.

Attempt at regulation

AMTOI reckons that the government's attempt to regulate the intermediaries will not serve the purpose. "Logistics costs will come down by better infrastructure, better processes and innovation. You can't talk about free market economy and do this simultaneously. Regulations increase cost of doing business.

Regulations are justified only while dealing with monopoly, oligopoly and dominant market position, not for dealing with a highly fragmented industry with thousands of players operating. In such a situation, the market takes its own level, people have a choice to select forwarders, they can go to the most suitable and the cheapest, it's a free market economy" he said.

"We don't agree that freight forwarders, consolidators and NVOCCs are beneficiaries. In fact, we are the victims of the situation and not perpetrators. We are not criminals, and this is a case of victims being prosecuted," he said.

AMTOI doesn't agree with the government's definition of intermediaries.

"It is inconsistent with the UN Convention on Rotterdam Rules. We have objections to being called intermediaries because we have the primary contract with the customer," Bhadkamkar added.

Source: thehindubusinessline.com- Feb 23, 2020

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Cargo volumes may take a hit: ICRA Ratings

Industries like chemicals, dyes and pigments, pharmaceuticals, textiles, electronics and auto could witness short-term supply disruptions due to the production shutdown in China. In turn, the reduced economic activity could result in a slowdown in bulk consumption and this could indirectly affect bulk imports like coal, crude and other commodities, said K Ravichandran, Senior VP and Group Head, ICRA Ratings, in a report on the impact of coronavirus on Indian ports.

Ports that have significant exposure to the affected cargo categories could see an impact on their volumes in the near term. The extent of the impact will be dependent of the duration of restriction on China's industrial activities due to Covid-19 and the pace of subsequent recovery, he said.

The shutdown of industries in China is a 'negative' for the Indian exim cargo movement as India has significant trade linkages with China by way of import and export of raw materials and finished goods.

Source: thehindubusinessline.com- Feb 19, 2020

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State may get four major textile projects

T. N. to also get a research centre under Centre's plan

Tamil Nadu is likely to get three textile parks and a technology research centre under schemes that the Union Ministry of Textiles is formulating.

According to industry sources here, the Ministry is preparing a "Mega Textile Park Scheme" and plans sector-specific textile parks. The State is expected to get one mega textile park, a technology park for textile machinery, a technical textiles park and a technology research centre.

For the mega textile park, the State should provide a minimum of 1,000 acres. A couple of locations in Tamil Nadu have been suggested to the Centre for this.

In the case of textile machinery, the aim is to make textile machinery production indigenous by developing technology in-house or bring it from other countries. The infrastructure for this project is proposed to be developed in Surat and Coimbatore and these will be smaller parks.

For technical textiles park, Salem is likely to be the choice, the sources said. A technology research centre will most likely come up in Coimbatore. The Confederation of Indian Textile Industry has welcomed the efforts of the Union Textile Ministry, which would help the Indian textile and clothing sector has to scale up its operation.

Scaling up operations

T. Rajkumar, chairman of the confederation, said the country was at a disadvantage vis-a-vis the scale of operation and countries such as Bangladesh and Vietnam were able to seize the opportunities created by China's withdrawal.

At a meeting held by Union Textile Minister Smriti Irani recently, representatives from global brands that had retail operation in India said they had to import from countries such as China, Bangladesh and Sri Lanka because of volume and cost advantage.

They said that India did not have large players to meet their demands.

Mr. Rajkumar said the Centre had been making efforts to attract Foreign Direct Investment, joint venture projects, and investments from vertically integrated textile players in the mega textile parks. The government was thinking of major support to attract investments and ensure hassle-free fast clearances for units to set up integrated facilities.

The minimum investment by each unit should be ₹500 crore in the mega parks. These projects would open up opportunities for the textile sector in the domestic and international markets, he added.

Source: thehindu.com- Feb 22, 2020

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Coronavirus affects India's textile trade, both exports and imports

Coronavirus (Covid 19) is affecting the Indian textile and apparel industry. The prevailing situation in China is posing a major threat for Indian manufacturers dependent on the supply of raw materials from China.

India imports $ 460 million worth of synthetic yarn and $ 360 million worth of synthetic fabric from China annually. It also imports accessories like buttons, zippers, hangers and needles. India does not have the domestic supply base to cater to such a huge demand of these raw materials.

Traders in India also anticipate curtailed demand from China. There may be a decline in China's imports of cotton yarn from India. This will divert India's surplus cotton yarn to the domestic market, further reducing the price of cotton yarn.

With the epidemic, Chinese textile factories have stopped operations. If this continues, Indian garment manufacturers will need to look at other alternatives, including local sourcing, which in turn may increase the finished goods' cost by three percent to five percent.

In addition to this, identifying vendors in such a short time can take a toll on lead times, quality and cost.

However, there can be a positive impact on India as well. During the month of January, buyers from Europe and the US generally travel to China to negotiate with garment exporters for the next season. However, due to the Coronavirus scare, most of the buyers are looking at alternatives and India could emerge strong.

Source: fashionatingworld.com- Feb 22, 2020

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Sustainability, the new tagline for Tiruppur t-shirts

Tiruppur as a cluster has invested in 1,600 MW of wind and solar energy, recycles waste water in processing units, and has zero liquid discharge systems

Use of recycled fibres and fabrics and green initiatives are now being discussed to a great extent among garment exporters in Tiruppur, as overseas brands talk about sustainable product ranges.

Sulochana Cotton Spinning Mills in Tiruppur got into PET bottle recycling almost a decade ago. Used and thrown away PET bottles were collected and processed for fibre and this was spun into yarn. The company, which has knitting and garmenting facilities too, is now in the process of adopting a technology that will enable its overseas buyers and customers to trace the raw materials and processes involved in bringing out the product and an assurance that the synthetic yarn is from recycled fibre.

Sulochana is getting ready to launch on a commercial scale 'Polycycle', a branded process to trace the entire supply chain, from picking the bottles to making of garments from the recycled fibre yarn, through block chain.

Kaushik Krishnakumar, joint managing director of Sulochana, says that garment brands in the United States and the European Union are showing increasing interest in sustainable products, especially for the last two years. The traceability feature that the company will offer its buyers is a value addition to the sustainable garments that they will source. "We have been in touch with buyers and there are all for it. What they want to know is when we will go commercial with the product," he says.

And, on the sustainability part, the company speaks of use of zero water for processing, complete use of renewable energy, etc.

Syndicate Impex, another garment manufacturing firm in Tiruppur, has launched Ecohike, a range of knitwear collections made entirely of fibre from recycled PET bottles and recycled textile fabrics.

A. Kathiresan, one of the directors at Syndicate, says the company launched sustainable garments six months ago and plans to take it to the Scandinavian countries by the end of this year. “There are several factors in the process of making a garment and in the materials used that make it sustainable. We plan to buy back the used garments of our brand so that we can recycle it. This will ensure that the t-shirts do not go to the land fills,” he says. The uniqueness of Ecohike t-shirts is that each one is made from 12 recycled PET bottles, saves water, emits 70 % less carbon dioxide during the manufacture process, and 250 grams of landfill is saved, according to the company.

Sulochana and Syndicate are not the only companies in Tiruppur that are investing in sustainability. As apparel brands in the European Union and the US announce plans for sustainable product ranges, suppliers are looking at ways to make their products meet the buyer demand.

The world market is talking of sustainable manufacturing process and products. “Knowingly or unknowingly, Tiruppur has scaled high on this front,” says Raja Shanmugham, president of Tiruppur Exporters' Association.

Tiruppur as a cluster has invested in 1,600 MW of wind and solar energy, recycles waste water in processing units, and has zero liquid discharge systems. Hence, the cluster itself has sustainability advantage and individual companies are taking it forward through separate initiatives. The Association is trying to bring sustainability brand to the entire cluster. This will also ensure continuous flow of orders to the cluster, he says.

Source: thehindu.com- Feb 22, 2020

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