Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>19840</td>
<td>41500</td>
<td>82.88</td>
</tr>
</tbody>
</table>

Domestic Futures Price (Ex. Gin), January

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>20610</td>
<td>43111</td>
<td>86.09</td>
</tr>
</tbody>
</table>

International Futures Price

| NY ICE USD Cents/lb (March 2018) | 82.26 |
| ZCE Cotton: Yuan/MT (Jan 2018)  | 15,315 |
| ZCE Cotton: USD Cents/lb        | 92.19 |

Cotlook A Index – Physical

<table>
<thead>
<tr>
<th>Cotlook A Index – Physical</th>
</tr>
</thead>
<tbody>
<tr>
<td>92.1</td>
</tr>
</tbody>
</table>

Cotton & currency guide: The action from ICE cotton was minimal on Wednesday. We saw both side movement and price range was 82 to 83 cents for active March contract which finally settled at 82.27 cents per pound. However due to active participation on the spread between March and May the trading volumes were high. As recorded the volume was higher than 50K contracts. Meantime the open interests also continued to rise. The aggregate open interest stood at 314K contracts.

No major news on market the weekly USDA export sales data is postponed to Friday due to news playing about government shut down. The Friday’s weekly export data is very important to evaluate. Further on the macro front the USD index is continuing its downward trend and hovering below 90 pushing major dollar denominated assets higher.
For today the market is expected to trade in the same range and 82 and 83.50 is the band to trade with. However for short term the range would 78 to 84.50 which remain intact.

Coming to domestic front the action is now better. We are in January and the real adequate arrivals that supposed to come to market is now coming although slightly delayed. The arrivals have increased on Wednesday to 208K bales highest daily arrivals in last one month.

This has pressured prices to correct down. The spot price has declined to around 41750 to 41800 per candy. The effect of lower spot price has had a very significant impact on the futures contract.

We saw a decline across on futures contract on Wednesday and technical chart patterns have also changed to an extent. The most active February settled lower at 20530 per bale down by more than 1.25% from previous close. In fact all other contracts were mostly on the lower side. We believe ICE future holding steady with likely correction may further keep the domestic market under stress while increase in supply in India may have additional pressure on the price.

For today we expect market to trade sideways to lower and the trading range would be Rs. 20250 to Rs. 20700 per bale.

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

## INTERNATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>11 Nations to Sign Revived TPP Deal—Without the US</td>
</tr>
<tr>
<td>2</td>
<td>UAE: FTA praises shipping, logistics sectors on VAT</td>
</tr>
<tr>
<td>3</td>
<td>Demand for end to duties on cotton yarn import in Pakistan</td>
</tr>
<tr>
<td>4</td>
<td>Need for revolutionizing cotton industry in Pakistan</td>
</tr>
<tr>
<td>5</td>
<td>Bangladesh: Long lead times, fabric imports reduce competitiveness of woven garment exports</td>
</tr>
<tr>
<td>6</td>
<td>Bangladesh: RMG backward linkage could flourish under govt support</td>
</tr>
</tbody>
</table>

## NATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trade remains sore point between India, ASEAN</td>
</tr>
<tr>
<td>2</td>
<td>Mills Are Running At Half Their Capacity In India’s Cotton Hub</td>
</tr>
<tr>
<td>3</td>
<td>Textile business assured of amicable answer to GST points</td>
</tr>
<tr>
<td>4</td>
<td>India’s Maharashtra state cuts cotton forecast on worm infestation</td>
</tr>
<tr>
<td>5</td>
<td>Customs duty may see much action</td>
</tr>
<tr>
<td>6</td>
<td>Silk sari producers, weavers worry over rise in yarn price</td>
</tr>
<tr>
<td>7</td>
<td>Telangana asks Indian govt to help Sircilla weavers</td>
</tr>
</tbody>
</table>
11 Nations to Sign Revived TPP Deal—Without the US

One year after Donald Trump seemingly killed the Trans-Pacific Partnership by pulling the U.S. out of the deal, the remaining 11 countries have settled on terms and have set a date to sign the agreement.

The pact, now known as the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), is set to be signed on March 8 by the remaining countries—Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

If that does happen, it will be the final chapter in TPP’s long history, which began as a way to curb China’s influence in Asia. The agreement stalled last year when the U.S. dropped out, and since then other nations like the UK have considered joining, while Vietnam hesitated and Canada threatened to walk.

The final negotiations centered around Canada’s concerns about its cultural industries like movies and music, certain IP provisions and language related to the auto industry. Resolution came when the intellectual property provisions were dropped and the other concerns were ironed out via side pacts between Canada, Malaysia, Australia and Japan.

While his most recent move to slap tariffs on imported washing machines and solar panels seems to indicated that Trump is sticking to his America First stance, some in the international community still hold out hope that the U.S. will have another change of heart with regards to TPP.

“Asia-Pacific is the part of the world where most of the global growth will be generated for years to come and the U.S. as a great trading economy surely will want to have the same advantageous access to those markets as we will have,” said Australian Finance Minister Mathias Cormann during the World Economic Forum in Davos, Switzerland.

The Wall Street Journal also reports that Toshimitsu Motegi, the Japanese minister handling the talks, has similar sentiments.
News of the CTPP resolution came as the latest round of North American Free Trade Agreement talks began. Though the United States, Canada and Mexico had originally planned to wrap up negotiations last year, things have dragged on and hope that any sort of agreement can be reached have begun to fizzle.

Canada recently filed a complaint with the World Trade Organization against the U.S. claiming unfair practices related to antidumping duties. Meanwhile, Trump is pushing for NAFTA to include provisions that will pay for his border wall between the U.S. and Mexico, something officials there say will not happen.

Source: sourcingjournalonline.com- Jan 24, 2018

UAE: FTA praises shipping, logistics sectors on VAT

The shipping, customs clearance and logistics sectors showed a high level of responsiveness and cooperation in the implementation of value-added tax (VAT), Federal Tax Authority (FTA) officials said in a statement on Wednesday.

Officials made the comments in VAT awareness workshop attended by nearly 670 stakeholders from companies in the sectors.

The workshop talked the anticipated effects of VAT on internal and external trade in the UAE, and looked at ways to ensure smooth implementation of the new tax, which came into force on January 1.

The FTA’s team gave a detailed presentation outlining the mechanisms of implementing VAT, as well as the approach to cooperation and coordination between the Authority and its strategic partners from the public and private sectors.

Participants praised the workshop, the FTA said in the statement, and asked for more seminars in the near future to streamline communication and ensure talks around issues that might arise.
All companies with an annual turnover have been required to register for VAT. More than 360,000 firms have done so, the FTA reported on Tuesday.

Earlier this month, the FTA issued detailed guidelines on how VAT would apply on trade between tax-exempt “designated zones” — 20 trading areas located within the UAE, but considered outside it for tax purposes — and the rest of the UAE.

Designated zones differ from other free trade zones in that they are fenced, and have security measures and customs controls.

The FTA said goods transported between designated zones would be exempt from VAT so long as they complied with UAE Customs Law, and no part of a shipment was release, used or altered during the transfer.

Goods originating from a designated zone and intended for consumption in the UAE would be subject to VAT.

VAT enhances competitiveness of the UAE private sector regionally and globally: Federation of Chambers

DUBAI: The Federation of UAE Chamber of Commerce and Industry affirmed that the implementation of value-added tax (VAT) would contribute to enhancing the competitiveness of the UAE private sector regionally and globally in accordance with the standards applied in international organisations and institutions.

During the Federation’s first joint meeting held in Dubai, Hamid Mohammad Bin Salem, Secretary General of Federation of Chambers of Commerce and Industry, said that the chambers of commerce and industry are seeking to form sectoral legal committees to coordinate with the competent authorities in the country regarding the legislation and laws related to the private sector, which will become complementary to the legislative environment in the UAE.

He pointed out that the plan of the Federation for the current year includes the launch of a new identity through creating media and marketing identity for the Federation and defining the role and services provided to the private sector.
Demand for end to duties on cotton yarn import in Pakistan

Pakistan’s value-added textile export sector has urged Prime Minister Shahid Khaqan Abbasi to abolish all duties and taxes on cotton yarn import to help earn foreign exchange and reduce trade gap that touched $18 billion during the July-December period of fiscal 2017-18. Cotton yarn is not easily available in the domestic market owing to low cotton yield.

The sector has the largest share in the total textile exports of Pakistan and cotton, according to Muhammad Jawed Bilwani, chairman of Pakistan Apparel Forum and chief coordinator of the country’s value-added textile export sector.

Bilwani said a 30 per cent rise in cotton yarn prices has made the value-added textile export sector uncompetitive in the international market. There is a fear that exporters may fail to meet export orders booked six months back if immediate attention is not paid by the government to the issue, Pakistani media reports quoted him as saying.

Globally import of raw material is allowed duty free while export of the same is restricted to benefit value addition to earn foreign exchange, he added.

Need for revolutionizing cotton industry in Pakistan

Agronomists, economists and other experts, Wednesday, termed the indifferent approach of the stakeholders and decision makers as the sole reason for declining cotton production in the country in last ten years.

In this connection, Ministry of Food Security, fertilizers and pesticide marketing companies, tax authorities, All Pakistan Textile Mills Association (APTMA) and others were held responsible for lower per bale cotton price as
well as per hector yield in Pakistan as compared to the other regional countries.

While expressing their views at a seminar titled ‘Need for Revolutionizing the Cotton Industry in Pakistan’ experts demanded of the government to announce cotton support price like wheat and sugarcane support prices to provide support to the drowning cotton related small and cottage industries of the country.

They also proposed transfer of sugar mills from the cotton growing areas to sugarcane producing areas because the presence of sugar mills lured growers to sow seeds of other crops than cotton. Establishment of sugar mills in cotton growing areas was allowed on political basis to benefit a few of blue eyed families but it had harmed the cotton production.

The experts also pressed on the scientists to focus on research to have refined and improved seeds for cotton as well as the concerned institutions to provide latest C-Cotton technology from B-Cotton technology to enable the growers to enhance per hectar yield of the cotton. In this regard, experts gave comparison of Pakistani cotton production with the Indian and Chinese cotton production which had been soaring steadily upwards.

Seminar was jointly organized by The Center for Global & Strategic Studies (CGSS) and in collaboration with Pakistan Cotton Ginners Association (PCGA). The event brought together government representatives, armed forces officers, diplomats, experts from cotton and textile industry and students from across the country and individuals from public and private entities.

The aim and focus of the seminar was to highlight the revolutionary role of the cotton industry in the development of Pakistan. Furthermore the challenges being faced by the industry and the remedial measures to counter these challenges that will result in the increased cotton production.

About 200 people including the senior members of CGSS Advisory Board, government representatives, armed forces officers, diplomats, students and experts from cotton and textile industry attended the Seminar.
In his opening remarks Chairman CGSS Lieutenant General Muhammad ZahirUl Islam HI (M), (Retd) in his opening remarks stated that the economy of Pakistan was highly dependent on cotton and textile sectors, which faced significant challenges and opportunities in an environment of fluctuating world prices, macroeconomic instability, and changes in the global trade regime for textiles and apparel. Yet there is limited systematic analysis available that can help us understand the linkages between these sectors and the effects of their performance on the country’s economy.

Chairman Punjab, All Pakistan Textile Mills Association (APTMA) Ali Pervaiz Malik highlighted the socio-economic significance of textile industry by stating facts i.e. the textile industry has 8.5% Share In GDP, 62% Share in Exports. He further stated that this industry has the potential to double the exports.

He further compared the textile industry of Pakistan with other neighbouring countries including India, Bangladesh, Vietnam and Sri Lanka, and stated that out of all the countries, only Pakistan is the one experiencing negative growth which is alarming for the development of the country. He further presented the remedial measures for viability & growth of the textile industry.

Chairman Pakistan Agricultural Research Council (PARC) Dr. Yusuf Zafar – enlightened the audience regarding risk management and options for cotton production in Pakistan. He highlighted the challenges pertaining to the cotton industry in Pakistan and presented an extensive way-forward for the improvement of the sector.

According to him, we are facing low cotton yield because of area stagnation, Higher Input Cost for Production and Encroachment by Sugarcane and Corn, which are considered as a High Delta Crops. He further, presented the audience with policy recommendation for increased cotton production to undermine the mountain challenges to this very important sector.

Dean Faculty of Social Sciences & Humanities, Muhammad Nawaz Sharif University of Agriculture, Multan Dr. Irfan Baig in his address highlighted cotton production in Punjab, the constraints and future strategy. He stated that Punjab contributes more than 70% of total cotton production of Pakistan and is the source of livelihood to 1.626 million families.
He stated that according to statistics of 2016-2017 Pakistan is among top 10 in cotton producing countries.

He also explained the major constraints like adverse weather conditions, temperature variations, pest attacks and water shortage that are responsible for the decreased cotton production during the year 2017-18.

Cotton Commissioner Ministry of Textile Khalid Abdullah enlightened the audience about the Pakistan Government’s initiative toward the cotton industry.

Source: pakobserver.net - Jan 24, 2018

***************

Bangladesh: Long lead times, fabric imports reduce competitiveness of woven garment exports

Currently, Bangladeshi manufacturers mostly produce basic fabrics, which is not for higher-end products

Increased dependence on fabrics import and a lack of proper policy on energy supply are negatively impacting the competitiveness of Bangladesh’s woven garment exports in the global market.

Industry insiders and trade analysts have blamed longer lead time, poor backward linkage, the absence of value addition and modern technology and lack of proper policy support on gas and electricity connection for the decline.

According to the Export Promotion Bureau (EPB), export earnings from the woven garment products have seen a 2.35% fall in the last fiscal year to $14.39 billion.

It has, however, posted a 4% growth in the first half of the current fiscal to $7.17 billion. During the same period, knitwear products earning has seen an 11.47% rise to $7.6 billion.

The woven sector has also seen negative growth in major export destinations including Germany and the US, two of the largest export destinations.
Experts have suggested new investments in backward linkage to reduce import dependence and technology upgradation for value addition in order to make a comeback.

**Lack of competitiveness**

To boost export of woven garments, the issue of longer lead time caused by import dependence is a key factor while the price edge is another important element.

“Bangladesh is doing better in knit products exports. This is because of we have strong backward linkage industry,” Faruque Hassan, BGMEA senior vice president told the Dhaka Tribune.

“However, woven products manufacturers are highly dependent on import for fabrics, which costs more. As a result, export earnings from woven goods have seen slower growth and it is losing its strength in the global market,” he added.

On the other hand, value addition of woven products is less than the knit products which led to lower prices, Hassan said.

“We do not have manmade fibre, polyester and petrochemical, which we have to import. We will be competitive if we can meet the demand from the local sources,” he added.

“Stakeholders are investing to upgrade machinery to go value addition. This will boost the buyers’ confidence and they will place orders for higher end woven products in Bangladesh,” the BGMEA senior vice president said.

The challenges

Shorter lead time is the key to remaining competitive in the global market. To reduce the lead time, Bangladesh has to improve its backward linkage industry to meet the demands locally.

It takes about 35 days to ship goods to the US from Bangladesh. But shipping from China takes 20 days and it is 15 days for Turkey, Exporters Association of Bangladesh president Abdus Salam Murshedy noted.
“As a result, Bangladesh cannot take urgent orders from buyers due to longer lead time,” he told the Dhaka Tribune.

While getting a gas connection is a big challenge, business will not be viable if the manufacturers have to run a factory with diesel instead of gas.

“Only using gas can make the production less expensive, which will help us be competitive,” he said, urging a proper energy policy for the sector.

The size of investment and costs of land are two other challenges. “Setting up woven fabric factories cost two to three times more than establishing a knit composite factory,” Salam said. “It also needs more land.”

**Ways forward**

Bangladesh can only meet 30% to 35% of local demands of woven fabrics. So, there is a huge gap between the supply and demand of woven fabrics. It is clear that there is big opportunity to grow by making new investments.

“First, we have to try to meet the demands locally to reduce lead time as it takes so many days to import fabrics. For this, new investment is a must to increase production capacity in line with the demands,” said Salam, also managing director of Envoy Textile.

“Then, the government should ensure infrastructure to ship finished goods within a possible shorter time as it is the key to success to grab more orders and remain competitive in the global market,” he added.

The former BGMEA president said there were many capable investors but they were unwilling to make investments due to lack of proper policy support and utility services.

“Losing market share of woven garments is alarming for Bangladesh as over 82% export earnings come from apparel sector and the woven sector contributes almost half of it,” former caretaker government adviser AB Mirza Azizul Islam told the Dhaka Tribune.

“We have to ensure balanced export earnings to attain a sustainable exports growth,” he said. “The government, along with the stakeholders, should jointly take steps to overcome the challenges.”
He said he believed that new investment could improve the industry capacity to meet the demand of fabrics locally.

Currently, Bangladeshi manufacturers mostly produce basic fabrics, which is not for higher-end products.

“Since the fashion trend is changing every day and the consumers want latest fashion products, the clothing retailers are looking for more technical fabrics instead of basic ones. To cope up with the latest demand, we should focus on multifunctional fabrics to diversify products,” Md Mostafiz Uddin, managing director of Denim Expert Limited, told the Dhaka Tribune.

He also suggested product development by research and innovation as well as introducing technology in manufacturing to get higher prices.

Source: dhakatribune.com - Jan 25, 2018

***************

**Bangladesh: RMG backward linkage could flourish under govt support**

The garment sector is playing a great role in development of Bangladesh, but export dependency on a particular sector is not good for the country.

Garment accessories and packaging manufacturers have called on the government to provide them with long term policy support including cash incentives and equal corporate tax for the backyard linkage industry to enlarge direct export.

They also urged the government to declare garment accessories and packaging products as the product of the year for 2019.

Leaders of garment and garment accessories and packaging manufacturers came up with the demands while addressing the inaugural ceremony of the ninth edition of Garments Accessories and Packaging Exposition (GAPEXPO-2018) in the capital on Wednesday.

Finance Minister AMA Muhith inaugurated the four day expo as chief guest, and BGMEA president Siddiquur Rahman was present as special guest.
Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) organized the four-day international expo on garment accessories to showcase the latest products, machinery and raw materials to attract buyers.

The show is being held at the International Convention City, Bashundhara (ICCB) in the capital till Saturday.

“In the course of time, Bangladesh has turned into a sourcing hub for garments products. These days, garment accessories and packaging manufacturers have also started to export directly,” BGAPMEA President Abdul Kader Khan said.

“Despite having a large contribution to the total export of the country, we are deprived of cash incentives, while the manufacturers have to pay 35% corporate tax even though the RMG exporters pay 12%,” said Kader.

Urging the government to provide cash incentives and to cut the corporate tax, Kader said: “If the government provides equal facilities and policy support, we will be able to contribute $12 billion to export earnings by 2021.”

The industry has the ability to meet over 95% of local demand, and is now exporting to some other countries, BGAPMEA leaders said.

In the last fiscal year, deemed export earnings of garment accessories and packaging stood at $6.70 billion, which is 9.47% higher compared to $6.12 billion in FY16.

“Accessories and packaging goods are the heart of apparel industry,” Exporters Association of Bangladesh President Abdus Salam Murshedy said.

The government has given authority to issue Utilisation Permission (UP) to BGAPMEA but it is not implemented, he said. If it is implemented and the sub sector gets policy support, the capacity of the sector will increase manifold and it will help the manufacturers to export more directly, said Salam.

The garment sector is playing a great role in development of Bangladesh, but export dependency on a particular sector is not good for the country, said AMA Muhith.
“When the sector started business, the sector was import dependent. Now, the sector produces about 50% to 60% and the credit goes to sector people,” said the minister.

It is good that the manufacturers create markets and export, he added.

In response to the business people call, the minister said, that the government has created a business friendly environment to do business and provide all the support needed.

A total of 278 companies from 17 countries including Bangladesh India, Sri Lanka, China, Taiwan, Malaysia, Vietnam, Singapore, Hong Kong, Thailand, Japan, South Korea, Germany, Italy, France, USA and Turkey will participate to display garments accessories and packaging items with machinery, all kinds of garments machinery with boiler and spare parts.

Source: dhakatribune.com - Jan 25, 2018
NATIONAL NEWS

Trade remains sore point between India, ASEAN

While all 10 leaders from the Association of South-East Nations (ASEAN) have gathered in India to celebrate India’s 68th Republic Day, two-way trade continues to remain a pain-point in the ties even as both sides look at strengthening strategic ties.

India and ASEAN signed the trade pact on services and investment in September 2014. However, out of the 10 member countries, two are yet to ratify the treaty – Indonesia and Cambodia. In the case of Indonesia, it believes that if it signs the agreement, then Indian professionals will flood their markets, in other words, take their jobs away, sources told BusinessLine.

India had been urging ASEAN countries – Singapore, Thailand, Malaysia, Cambodia, Myanmar, Brunei, Laos, the Philippines, Indonesia and Vietnam – to ratify and implement the services pact at the earliest as it continues to get impacted by the free trade agreement (FTA) in goods, sources said.

India and ASEAN had signed the goods FTA in 2009 and it was implemented in 2010. However, under the pact while imports from ASEAN countries have seen a rise, exports from India to that region have not seen a significant jump.

During his bilateral meeting on Thursday with Indonesian President Joko Widodo, Prime Minister Narendra Modi is expected to raise this issue. On the other hand, Cambodia is not ratifying it because of its internal legislative issues, said another official, involved in the talks.

“Indonesia has always been wary of India flooding their jobs market. And this is unlikely to change if one goes by their posturing in RCEP, which is in limbo. The traditional market access issues with ASEAN remains.

They will continue to put India in tenterhooks unless India agrees to be flexible in RCEP,” said Biswajit Dhar, Economics Professor, Jawaharlal Nehru University.
All the 10 ASEAN countries are also part of the China-led proposed mega trade pact – Regional Comprehensive Economic Partnership (RCEP) – which also includes India, Japan, South Korea, Australia and New Zealand.

However, India is now looking at ASEAN more from the strategic perspective in terms of maritime security rather than enhancing trade. This is crucial to counter China as ASEAN seeks greater participation from India even as they face Beijing’s expansionist policy in South China Sea.

“The ratification will happen soon. However, the government is now more focussed on maritime cooperation and security, especially in the backdrop of India becoming a rising power in maritime links and rise of the Indo-Pacific region,” said Prabir De, Professor, Research and Information System for Developing Countries (RIS), and Coordinator, ASEAN-India Centre (AIC), India.

This is for the first time that all 10 leaders of the ASEAN region have participated in the Republic Day celebrations as chief guests.

Source: thehindubusinessline.com- Jan 25, 2018

Mills Are Running At Half Their Capacity In India’s Cotton Hub

The silence at Jolly Spinning Mills is punctuated by workers’ chatter as they unload bales of cotton from trucks in the courtyard, adding to a giant fluffy white heap. It’s the peak season in Gujarat, India’s largest cotton producer, and unusual for the factory that runs round the clock to be so quiet at noon. The mill now clatters for barely 12 hours a day.

Business is not as usual, said Dilipbhai Umaraniya, chairman, Jolly Group of companies at Chotila, 50 kilometres east of Rajkot in Prime Minister Narendra Modi’s home state. “We don’t have enough working capital after the GST was implemented.”

India is the world’s second-largest exporter of cotton—raw and textiles. The 12.3-billion industry, like other export-oriented businesses, is yet to recover from disruption caused by the July rollout of a nationwide sales tax.
The biggest tax reform yet in Asia’s third-largest economy subsumed a web of levies to make business easier. But it taxes every level of the supply chain to increase compliance. Companies then claim refunds.

Yarn makers pay 5 percent tax while procuring cotton. Earlier, there was no such levy. Other inputs like dyes and chemicals are taxed at 12 percent and 18 percent. They also pay a 5 percent tax at the time of exports. Together, that blocks working capital as refunds take time.

Umaraniya says his Rs 8 crore is blocked. Sureshbhai Patel of Rajkot-based Siddhnath Cotex Mill awaits Rs 4 crore.

The industry won’t exist for long if this continues, Patel said. “Earlier my turnover was Rs 350 crore. Now it looks like it won’t go above Rs 150 crore because I operate only one shift now.”

Invoice-matching is a key aspect of GST compliance. Two separate invoices showing sale and purchase of goods uploaded on the GST Network portal must tally for them to be considered.

The government was struggling with this, according to Suresh Rohira, partner at Grant Thornton India. Documents were filed but invoices were not matching, he said. Refund applications were rejected for issues like an ‘s’ missing in ‘yarns’ in two returns that needed to match, he said.

The government recently allowed exporters to ship products without paying the Integrated GST after submitting a letter of undertaking in lieu of a bond or a guarantee. “Hopefully, that will help us get refunds quickly,” said Vijay Mehta, a manager at Siddhnath Cotex Mill.

The GST also increased paperwork. Businesses have to file three monthly returns—on sales, purchases and a summary of accounts. Accounting work has doubled, said Mehta. “The paperwork needs to be reduced. There are not many educated people in the industry.”

Emailed queries to DS Malik, spokesman for the Finance Ministry, on delayed refunds and compliance remained unanswered.

November to April is the peak season for ginning, or separating cotton fibre from the seed, as the kharif crop arrives from the fields.
The output this year is expected to stay around last time’s 350 lakh bales of 170 kilograms each. And there is demand overseas. “But we need to have capacity to export so much,” said Umaraniya. With mills running for only 12 hours a day, capacity utilisation has also fallen by half.

Mill owners are even sceptical about applying for new loans. Banks are wary of lending more as bad loans are rising, said Umaraniya. “If we don’t have the money, how will we work? The problem is huge.”

Patel said a fourth of his loans could sour as he wouldn’t be able to repay on time if the situation doesn’t improve.

Source: bloombergquint.com- Jan 25, 2018

Textile business assured of amicable answer to GST points

Commercial tax commissioner, Gujarat, has assured the stakeholders in the country's largest man-made fabric (MMF) sector in the city of strongly representing the issues and demands related to Goods and (GST) before the central government and the Council.

Vaghela was on a day’s visit to the Diamond City on Tuesday. Vaghela visited power loom units, knitting units, handwork and embroidery units and textile shops in Pandesara, Bamroli, Sachin, Limbayat and Ring Road.

Addressing a meeting of the stakeholders at (SGCCI), Vaghela said, “I have heard the problems and issues faced by power loom weavers, traders, embroidery unit owners and women doing embroidery handwork. The issues are genuine and the state government will seriously take up the issues with the central government and the GST Council.”

“Most of the issues related to GST come under the purview of the GST Council. However, the issues like inter-state e-way bill provision etc will be sorted out by the state government,” Vaghela added.

Last week, social media was abuzz when CMO tweeted in favour of Surat’s diamond industry after the GST Council reduced the GST rate on polished diamonds from 3 per cent to 0.25 per cent.
The chief minister had to face criticism on social media when the textile industry people raised questions whether the government did not consider Surat as the textile city.

Federation of Indian Art Silk Weaving Industry (FIASWI) chairman Bharat Gandhi said, “The industry is getting assurances since the day GST was rolled out. I think the visit of Vaghela in the textile and embroidery units indicates that the state government is serious in taking a stand at the GST Council to see that the issues related to the textile sector are addressed amicably.”

Gandhi said we have put forth three demands, including refund of input tax credit, credit on opening stock and implementation of central government notification on increasing basic customs duty (BCD) on imported fabrics from China.

Leader of power loom weaving sector Ashish Gujarati said, “A single demand of input tax credit will solve 10 other issues pertaining to GST. Vaghela was of the opinion that the state government will have to give a stiff fight at the GST Council to press for the refund demand of the textile sector.”

Source: luxoraleader.com- Jan 24, 2018

India's Maharashtra state cuts cotton forecast on worm infestation

India’s state of Maharashtra, the country’s second-biggest cotton producing state, has cut its forecast for output of the fibre by 37 percent from its September outlook as a pest infestation has reduced yields, a senior government official told Reuters.

Maharashtra’s output is now forecast to drop to 6 million bales of 170 kg each for the 2017/18 marketing year that started on Oct. 1, the source said. That is down from 10.7 million bales produced in the 2016/17 marketing year.

The forecast is down because of an infestation of the pink bollworm that has cut yields.
The drop in the output could lift local prices and reduce the exports from India, the world’s biggest cotton producer, during the 2017/18 marketing year.

“As harvesting started, farmers realised the impact of the pink boll worm pest on the crop. Yield were substantially lower than normal,” said the official, who declined to be named as the estimate has not been published.

Maharashtra usually accounts for over a quarter of the India’s production, which the government has estimated at 37.7 million bales for the current marketing year.

The reduction in Maharashtra’s production will slash the country’s output and keep prices firm in the local market, said Pradip Jain, owner of cotton trader Mahavir Ginning and Pressing.

Cotton prices have surged 12 percent in the past eight weeks as spot markets were getting lower-than-normal supplies from the new season crop.

India’s cotton exports could fall to 5 million bales, nearly a quarter below earlier estimates, said Atul Ganatra, president of Cotton Association of India.

Pink bollworms consume the cotton fibre and seeds inside the boll, or fruit, of the plant and cut the amount of fibre harvested.

Source: reuters.com- Jan 24, 2018

*********************************

**Customs duty may see much action**

The indirect tax structure has undergone a complete transformation with the roll out of the Goods and Services Tax in July 2017.

Multiplicity of taxes and too many tax-levying authorities were the factors impeding the ease of doing business in the country. Revenue leakages due to tax evasion, lack of transparency and cascading taxes, were the other ills that plagued the previous indirect tax regime. The Goods and Services Tax was expected to bring uniformity in indirect tax law, with a single authority levying the tax, thus improving the environment for businesses.
The changeover took 10 years, involving multiple high-powered committees, and an army of tax department officials. While the GST was first announced in 2006, and the first discussion paper released in 2009, it was only in August 2016 that the Constitution Amendment Bill was passed. In March 2017, the CGST, SGST, UTGST, IGST and Compensation Cess Bills were recommended.

The passage of the Bill and approval of five laws in 2017 finally paved the way for subsuming various Central taxes, including the Central Excise Duty, Service Tax, Surcharge and Cesses and State Taxes, such as State VAT/ Sales Tax and Central Sales and Purchase Tax, into the GST.

**Major indirect tax**

This historic change will have a dramatic effect on the structure of the Budget as well. With the GST absorbing many of the indirect taxes levied by the Centre as well as the States, the Finance Minister is likely to focus on customs duty, the major indirect tax, which is still outside of the GST. Tax experts expect some tweaks to the existing customs duty rules. “Education Cess & Secondary Higher Education Cess payable as per custom law may be exempted or subsumed by merging the cesses into Basic Custom Duty,” says Rakesh Nangia, Managing Partner, Nangia & Co LLP.
Some clarity in the valuation of imported goods in transfer pricing is also required, said Nangia. “Customs valuation for imported goods and Transfer Pricing under Income Tax laws are based on arm’s length principle.

However, authorities of Customs & Income Tax Law try to inflate/deflate the valuation for their own end-result. A Guidance may be provided in this regard.”

Tax experts also suggest a dispute resolution/amnesty scheme for all tax payees, who were under the Central and State laws, which have been merged into GST.

Shrikant Kamat, Leader/ Customs and International Trade, Partner/ Indirect Tax, BDO India, thinks there could be some changes in the customs duty on certain items.

He expects customs duty to be increased for mobilephone parts and other specified goods and equipment, to incentivise the ‘Make in India’ initiative. “Customs duty on certain farm sector products are also likely to be reduced, given the general uptick in demand and lower production of those goods in India,” he says.

Kamat also thinks that few more trade facilitation initiatives are likely to be announced to ease the movement of goods from/to the port/ICDs, and also to encourage transit trade to Nepal, Bhutan, Myanmar and Bangladesh.

Part B of the Budget is likely to be truncated this year since most of the erstwhile indirect tax legislations have been subsumed under GST.

However, the decrease in GST collections over the past few months, is likely to result in the following measures in the Budget: “Many taxpayers are not able file their returns due to technical glitches & invoice-level matching. Invoice level-matching may be done away with to expedite the return-filing process.

The returns for composition dealers may further be simplified; payment of tax may be allowed at all times instead allowing it only at the time of return filing.
Technical glitches on the date of filing the returns results in delay in payment of tax leading to late payment and consequent levy of interest and late fee,” said Nangia.

Many in the industry want a mechanism for the revision of GST returns filed for the previous months to be prescribed, detailed procedure anti-profiteering compliance provisions to be spelled out, and an amnesty scheme for self-declaration of excess credit taken under transitional provisions, with waiver of penalty to be announced.

Source: thehindubusinessline.com- Jan 25, 2018

*****************

Silk sari producers, weavers worry over rise in yarn price

Silk saris manufacturers and weavers in Kangeyam are worried about the abnormal trend of silk yarn price as it was affecting the industry.

"If the governments fail to take steps to control the inflation, it will affect 4 lakh labourers including 2.5 lakh indirect labourers in the industry in the state," said the manufacturers.

In Kangeyam, around 3,000 silk handlooms are operated by the weavers, who produce soft silk saris and other dresses. 90% of the weavers here would utilise Indian-made silk yarns for weft and China-made silk yarns for warp. Rest of them utilise Indian-made silk yarns for both the weft and warp, said R Balasubramanian, advisor of Kangeyam Silk Manufacturers Association.

Now, one kilogram of weft silk yarns costs around Rs 4,300-4,500. It was only around Rs 3200-3300 five months ago. In case of warp silk yarns, it costs around Rs 5,200-5,400, which was only around Rs 4,100-4,300 five months ago.

Normally, the price fluctuations would be around Rs 200 averagely in a season in both the warp and weft silk yarns because of low production in winter season. The rate would start to come down in February, he said.

But this year, the price has shot up abnormally and even there was no sign of decreasing. "Though silks were extracted in various parts of the country,
Bengaluru and few other places of Karnataka are the major market for silk yarns. We strongly suspect that the silk yarn manufacturers could have artificially increased the prices," he added.

So, the central and state governments should intervene and reduce the silk yarn prices, he urged.

Source: timesofindia.com- Jan 25, 2018

Telangana asks Indian govt to help Sircilla weavers

India’s Telangana state has requested the central government to set up a mega power loom cluster in Sircilla as part of the Comprehensive Power Loom Cluster Development Scheme. In a letter to textiles minister Smriti Irani, state handlooms minister KT Rama Rao said 36,000 powerlooms in Sircilla are not being upgraded and the power consumption is increasing.

Workers have to rely on traders for raw materials because of lack of investment and shortage of skilled workers and infrastructure is troubling Sircilla, media reports in Telangana reported citing the letter.

Rama Rao said there had been a substantial improvement in the powerloom sector in two other states after clusters were set up.

Source: fibre2fashion.com- Jan 24, 2018