



IBTEX No. 263 of 2018

December 27, 2018

USD 70.26 | EUR 79.97 | GBP 88.92 | JPY 0.63

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
20574	43000	78.03
Domestic Futures Price (Ex. Gin), January		
Rs./Bale	Rs./Candy	USD Cent/lb
20940	43765	79.42
International Futures Price		
NY ICE USD Cents/lb (March 2019)		73.50
ZCE Cotton: Yuan/MT (May 2019)		14,770
ZCE Cotton: USD Cents/lb		97.84
Cotlook A Index – Physical		81.65
<p>Cotton Guide: We saw a fair competition yesterday between the bulls and the bears during the abbreviated day at ICE. The bulls gave a strong fight to get the settlement figures in the positive territory for all the ICE contracts. ICE March Settled at 73.50 with a positive figure of +95 points. The high figure that the bulls could drag to was 73.54 whereas the low figures where the bears breached were at 72.15 cents/lb.</p> <p>The ICE May contract also witnessed a change of almost a cent i.e. +93 where it settled at 74.73 cents/lb. The nearby deliveries ended in positive figures ranging from +74 to +95. Total open interest rose by 552 contracts to 212,048. March contract open interest Increased by 883 contracts to 124,594, with decreases in May and July contract with figures of -176 and -137 respectively.</p>		

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At MCX the figures of various future contract months were a mixed bag. The MCX January contract emanated a (-10) loss and settling at 20,940 Rs/Bale with a lower volume of 1643 lots at 5008 and a higher open Interest of 762 lots at 7268. The MCX February contract saw gains of +50 settling at 21110 Rs/Bale whereas the MCX March Contract saw a negative figure of -110 settling at 21520 Rs/Bale.

Arrival figures have been estimated to be around 160,000 Lint equivalent bales (private estimates). Prices of Shankar 6 have remained unchanged at Rs 43,000 per Candy as an average price and Punjab J-34 at Rs 4,350 per maund. Cotlook Index A was unchanged at 81.65 (-1.75) 13:26 GMT 24th Dec, 2018.

Fundamental factors did not seem to have caused this kind of positive alterations in the International cotton market (witnessed yesterday) rather, these changes were attributed to a rally in Equities and Oil Prices. As I am writing this report at 8:45 am WTI crude is around 46.05 \$/Barrel whereas yesterday it was in the range of 42.25 \$/Barrel i.e. an increase of almost 4 \$/Barrel which came with a news of a decline in the US crude stocks. Based on these factors we expect the market to display a sideways trend today.

On the technical front, ICE March futures witnessed recovery after holding the support near 72.00 level in yesterday's trade. As shown in the charts, the next support levels exists at 71.90 zone (76.4% Fibonacci level), only decline below could bring further selling towards 70 followed by 69 levels, else its looks like price will retrace towards 74.50 zone as oversold RSI restricts the downside for the near term . From the above it is expected that price could trade in the range of 74.50 to 71.90 with sideways bias. On the higher side above 74.50, 75.50 is the crucial resistance zone followed by 76.20. In the domestic markets trading range for January future will be 20650-21200 Rs/Bale.

Currency Guide

Indian rupee has opened weaker by 0.26% to trade near 70.26 levels against the US dollar. Rupee has weakened amid a sharp rebound in crude oil price. Crude rallied 8% yesterday amid sharp rise in US equity market, Russia's support for additional measures to check oversupply and expectations of another decline in US crude stocks.

The US dollar rose against major currencies on upbeat holiday sales report and rise in bond yields. MasterCard Spending Pulse reports noted that total US retail sales, excluding automobiles, rose 5.1% between Nov. 1 and Dec. 24 from a year earlier.

The US 10-year bond yield rose from 2.74% to 2.81% on economic optimism and improved risk sentiment. However, supporting rupee is firmness in global equity market led by sharp gains in US market yesterday.

US DJIA index surged 5% yesterday as US President Trump reassured market players about US economy and tenure of Fed Chairman Jerome Powell. Risk sentiment improved also on signs of progress in US-China trade talks as reports noted that a US government delegation will travel to Beijing in two weeks to hold trade talks.

Rupee appreciated sharply in last few days owing to sell-off in crude oil price and we are now seeing some correction. We could see some more depreciation as US dollar attracts investors and crude stabilizes however a sustained decline is unlikely given weaker outlook for crude and downbeat sentiment for US economy. USDINR may trade in a range of 70-70.4 and bias may be on the upside.

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INTERNATIONAL NEWS

Americans are shopping for clothes again, and it's good news for the economy

According to new data from Mastercard SpendingPulse, consumers spent more on apparel this holiday season than they have the past eight years.

Apparel sales grew by 7.9% between November 1 and December 24, the best growth rate since 2010. In 2017, apparel sales were up by a more modest 2.7%.

This follows a strong sales run in the lead up to the holidays - apparel spending was up 5.4% over the Black Friday weekend, which is the highest growth rate since 2011, according to data from consulting firm Customer Growth Partners, reported by CNBC.

According to Neil Saunders, managing director of GlobalData Retail, this boom in apparel spending is being driven by three factors: a consumer who is more willing to splurge on themselves now than in the past, the cold weather driving more purchases of winter products, and retailers maintaining better inventory levels, which leads to fewer discounts.

According to GlobalData Retail's survey of 2,000 consumers' spending and purchases, 68% of people spent more on clothing for themselves this holiday season than they did over the same period last year. This is down to better selections in stores and people being more receptive to this, Saunders said in an email to Business Insider.

Retailers have also been hot on inventory levels this holiday season after excess stock led to heavy discounting in 2017.

Strong apparel spending signifies that consumers have confidence in the economy and are prepared to spend money on more frivolous purchases. In times of uncertainty, these are usually items that consumers first cut back on.

"When consumers splash out, it shows that they have money to spare and are confident enough to spend it on products," Saunders said.

US consumer confidence hit an 18-year high in October but cooled somewhat in November.

Source: businessinsider.in- Dec 26, 2018

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China to overtake the US as world's largest economy by 2032

China is set to overtake the US as the world's largest economy by 2032. In 2003, the world's five largest economies were the US, Japan and three European countries. Thirty years later three out of the top five economies will be Asian (India third and Japan fourth) and only one will be European (Germany).

This year, the feel-good factor in global economy has largely dispersed being replaced by volatility and uncertainty. Trade tensions have come to the fore, with the US and China imposing substantial tariffs on each other's export sectors.

So far, the US economy seems undeterred and 2018 has been another year of strong growth. This is in part due to the tax reform package passed in 2017, which has brought forward growth.

However, it leaves a serious budget deficit problem that is likely to balloon over time. This means that in the case of an economic downturn, the US will have less fiscal headroom to use in order to avoid a recession.

China, on the other hand, has had more problems as the trade conflict weighs on an economy already under strain.

In 2018, China finally seemed to be making progress in weaning its economy off the large volumes of debt that had been used to prop up growth after the financial crisis.

Source: fashionatingworld.com- Dec 26, 2018

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Support for domestic wool grows in the US

More and more Americans are moving towards US-made products to support domestic companies. In recent years, there's been growing demand for wool yarn that's completely produced in the United States, from sheep to skin.

One reason could be that consumers are turning back to wool because of the environmental risks of microplastics in garments made from synthetics such as acrylic, nylon and polyester.

The microplastics are released into waterways when the synthetic garments are washed.

Locally sourced yarn helps not only the environment but local businesses too. Shopping local is allowing farmers to raise and keep their animals on the farm.

The farm-to-table movement of eating local, shopping local -- basically the major slow food movement -- laid the ground work for the knitting industry.

Business is growing for fiber artists and companies that focus on producing high-quality, ethically sourced yarn with attention to their environmental impact.

Yarn company Brooklyn Tweed was founded in 2010 to preserve, support and sustain American textile production by doing business with sheep farmers, fiber mills and dyers across the United States.

Most garments worn in the United States in the first half of the 20th century were American-made, but the decline of the American textile industry began after World War II.

Source: fashionatingworld.com- Dec 26, 2018

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Egypt Makes Moves to Protect its Cotton Brand

The Egyptian government has appointed an official steering committee to safeguard the future of the Egyptian Cotton brand.

Appointed by the Minister of Trade & Industry, the new steering committee consists of government and trade representatives. It will be responsible for the licensing and promotion of Egyptian Cotton globally, as well as policing the integrity of the supply chain to ensure full compliance, traceability and transparency.

The Cotton Egypt Association (CEA), which until now has had sole responsibility for licensing and promoting the luxury cotton brand, has been incorporated into the new structure.

Khaled Schuman, executive director of CEA and head of the newly formed Egyptian Cotton Logo Unit, said the steering committee, “will build on the work already carried out by the CEA to promote Egyptian Cotton globally, protect the supply chain and ensure the welfare of the workers.”

“We are aware that deceptive practices by some manufacturers are damaging the Egyptian Cotton brand. It has, in some cases, resulted in a loss of confidence and trust, neither of which are acceptable,” Schuman said. “We will reinforce the credentials of genuine Egyptian Cotton as an ethical and sustainable brand, the cultivation and production of which supports whole communities.”

The brand has been in recovery mode since 2011 when output fell substantially following political upheaval. Despite the setbacks, Egyptian Cotton is still widely recognized by consumers as a luxury brand, CEA said.

In 2016, Target and Walmart Stores were caught in a scandal when it was discovered that bed sheets sold at the retailers made by Welspun India were falsely marked as being made of Egyptian cotton.

Recent moves to improve confidence in the Egyptian Cotton logo include the introduction of a partnership with Bureau Veritas for a new rigorous accreditation process that uses DNA testing to distinguish between genuine Egyptian Cotton and regular cotton.

Exports of Egyptian Cotton grew by 181.6 percent from December to February this year, according to CEA, and in August an investment of \$1.3 billion for modernizing Egypt's textile sector was announced.

The full make-up of the new steering committee will include two members from the Ministry of Trade & Industry; two members from the Alexandria Cotton Exporters Association; two members from CEA; one from the Holding Company for Cotton, Spinning, Weaving & RMG; one from the Ministry of Agriculture and one from the High Council of Textiles.

"The creation of this strong steering committee reflects the Egyptian government's strong will to make a real reform in the Egyptian Cotton's Supply chain," Schuman added.

Source: sourcingjournal.com- Dec 26, 2018

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All kind of fibres to be featured at Yarn Expo Spring

Natural fibres (cotton, wool, silk and flax ramie), man-made fibres (regenerated and synthetic), specialty fibres, natural and blend yarns (cotton, wool, silk and linen /ramie), man-made and blend yarns (regenerated and synthetic), elastic yarns, fancy yarns and specialty yarns – all will be featured at Yarn Expo Spring to be held during March 12-14, 2019.

The fair in Shanghai will take place alongside Intertextile Shanghai Apparel Fabrics and three more concurrent fairs. Between 2016 and 2018, Yarn Expo Spring saw increases of 29 per cent and 20.9 per cent in exhibitor and visitor numbers respectively,

Following a year of fluctuating demands and trends in the textile industry, especially in China and the Asia-Pacific region, it's more important than ever for suppliers to continuously innovate and produce strong products in order to survive in the uncertainty of the recent economic climate.

Yarn Expo Spring presents itself as a leading fair for exhibitors to establish their brands, introduce their latest products, and reveal new innovations to their targeted audiences both in China and globally.

“As the demand for functional fabrics continues to increase, we can also see this trend in Yarn Expo,” said Jiang Chang, marketing manager of Hangzhou Gaoxi Technology, China, highlighting just one of the trends evident at last year’s Yarn Expo Spring. “Therefore, the fair helps us to learn about the industry’s developments.”

Yarn Expo is recognised for its diversity of suppliers, meaning that visitors can meet all of their sourcing needs in one place. With more industry buyers than ever sourcing synthetic, fancy and specialty yarns and chemical fibres at the fair, the Fancy Yarn Zone will feature almost 50 prominent yarn suppliers from all around the world.

Meanwhile, high-quality natural yarns and fibres can easily be found, including high-end European linen and cotton from countries such as Egypt, India, Turkey and Vietnam, as well as an array of eco-fibres and carbon fibres for visitors seeking sustainable, light-weight materials.

The strength of Yarn Expo is its continuous evaluation of its audience and industry trends. Speaking about the last edition of Yarn Expo Spring, Wendy Wen, senior general manager of Messe Frankfurt (HK) said: “Local buyers were showing strong interest in the offerings from Asian countries such as Indonesia and Korea, while Vietnamese cotton exhibitors reported increased orders from China due to the favourable trade policies between these countries.” The fair responds to visitor interest by presenting an array of high-quality exhibitors from a variety of countries and regions, including China, Egypt, France, Hong Kong, India, Indonesia, Korea, Pakistan, Singapore, Turkey, Uzbekistan and Vietnam.

What’s more, exhibitors can enjoy a unique opportunity to leverage the fair’s premium business platform, with the four concurrent fairs. From apparel to home furnishings, the entire textile supply chain will gather under one roof for Intertextile Shanghai Apparel Fabrics – Spring Edition, Intertextile Shanghai Home Textiles – Spring Edition, PH Value and the China International Fashion Fair (CHIC).

The fair will feature natural fibres (cotton, wool, silk and flax / ramie), man-made fibres (regenerated and synthetic), specialty fibres, natural and blend yarns (cotton, wool, silk and linen / ramie), man-made and blend yarns (regenerated and synthetic), elastic yarns, fancy yarns and specialty yarns.

Source: fibre2fashion.com- Dec 26, 2018

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Bangladesh starts building domestic brands in fashion

Bangladesh is now developing its own fashion labels. Homegrown apparel brand Rise has so far opened four stores. It offers a mix of traditional Punjabi styles and modern street wear.

The first store opened a year and a half ago. Similarly, Dapper Bespoke operates two stores in Dhaka and sells three-piece suits and other formals for men.

These labels took shape as the domestic market relied on foreign labels completely. They have stepped into retail by doing everything on their own- - choosing materials, designing, branding and making production decisions.

Apparel makes up more than 80 per cent of Bangladesh's total exports -- with the value of exports having doubled in the past eight years -- and the sector is now beginning to cater to the tastes of domestic consumers.

Bangladesh can chalk up this turn of fortunes to stable its economic growth. The country's gross domestic product has been growing. In the 12 months through June, it grew at a 7.86 per cent.

Per capita GDP doubles every seven to eight years.

The country is the world's second biggest apparel exporter.

Source: fashionatingworld.com- Dec 26, 2018

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Turkey's clothing exports reach \$18B in 2018

Turkey's clothing exports reached nearly \$18 billion in 2018, president of the Turkish Clothing Manufacturers' Association (TGSD) said on Wednesday.

"We predict that our clothing exports will reach \$19 billion in 2019," Hadi Karasu stressed in a meeting in Istanbul, as quoted in a press release issued by the TGSD.

The clothing sector has strategic importance for the country's economy with its production power, contribution to the employment, and value-added exports, he said.

He further asserted that Turkey was also a global player in the clothing and textile sector, adding:

"Turkey is the fifth largest clothing supplier in the world, we took a 3.3 percent share from the \$515 billion global clothing market in 2017."

Karasu said Turkey has a potential to raise its exports 10 times higher than it currently is.

Meanwhile, the country's domestic clothing market reached 165 billion Turkish liras (\$34.2 billion) in the current year, he said.

The market's size rose by 20 percent from the previous year, Karasu added.

"The difference stemmed largely from the increase in prices, while the real rise is around 2-3 percent," he noted.

Source: aa.com.tr- Dec 26, 2018

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EAC agrees to make regional trade cheaper, faster, simpler

Burundi, Kenya, Rwanda, Tanzania and Uganda recently agreed to make trade among themselves and with other countries cheaper, faster and simpler. In a meeting in Nairobi, representatives of the countries said they would implement trade facilitation reforms including reducing ‘non-tariff barriers’ like burdensome and incompatible product regulations.

The countries are members of the East African Community customs union and common market (EAC). The ministerial meeting took place in parallel with the first UNCTAD Africa eCommerce Week from December 10 to 14, according to an UNCTAD statement.

The EAC move comes after most African countries signed the African Continental Free Trade Agreement (AfCFTA) in March 2018. The AfCFTA envisages establishing an Africa free trade area by building on regional blocs such as the EAC where trading nations already work together. The EAC declaration also aligns with the World Trade Organization’s Trade Facilitation Agreement, which entered into force in February 2017.

In the declaration, EAC countries committed to supporting National Trade Facilitation Committees (NTFCs) as the main vehicle for coordinating the implementation of the trade facilitation measures at the national level.

Intra-EAC trade, while low compared to regions outside Africa, is the highest among regional economic communities in Africa at 19.35 per cent of exports.

UNCTAD and TMEA, a non-profit organization established in 2010 to support the growth of regional and international trade in East Africa, also renewed their cooperation agreement for 2019–2021. They decided to continue to work on trade facilitation, trade portals, enquiry points, trade and gender issues, and to explore working in other fields such as transport.

Source: fibre2fashion.com- Dec 26, 2018

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USMCA is better than NAFTA for US textile industry

The United States-Mexico-Canada Agreement (USMCA), the revised version of the North American Free Trade Agreement (NAFTA), which is yet to be ratified by legislatures of each country, is better than the earlier agreement for the US textile industry, according to US trade bodies. The USMCA was signed last month after a 15-month negotiation process.

“The National Council of Textile Organizations (NCTO) was in continuous communication with US negotiators during USMCA talks, urging them to preserve and enhance the North American textile supply chain, and the deal reflects many of NCTO’s priorities. The new deal is better than NAFTA for the US textile industry in many aspects and NCTO is pleased to endorse it,” said NCTO chairman Marty Moran.

USMCA improvements over NAFTA include: a standalone chapter for textile and apparel (NAFTA does not have a separate chapter covering textile and apparel rules of origin); stronger rules of origin for sewing thread, pocketing, narrow elastics and certain coated fabrics; fixing the Kissell Amendment loophole; and stronger rules for customs enforcement.

Source: fibre2fashion.com- Dec 26, 2018

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Pakistan seeks to sign FTA with Latin America bloc

The External Relations Group of Mercosur will take up Pakistan’s request for signing a free trade agreement (FTA) in early 2019, which will provide an opportunity to Islamabad to bridge the trade deficit with countries of the Latin America trading bloc.

The Ministry of Commerce is making efforts to restart negotiations on clinching preferential and free trade agreements with Mercosur – a trade bloc comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela. Owing to this, the External Relations Group of Mercosur will take up for review Pakistan’s request in early 2019. It was revealed during a meeting between Commerce Secretary Younus Dagha and a delegation led by Argentinian Ambassador Ivan Ivanissevich.

The commerce secretary pointed out that Latin America was one of the most important non-traditional markets where Pakistan's market share was negligible despite a huge potential for exports by both traditional and non-traditional sectors.

In order to achieve greater market access in the region, the Ministry of Commerce signed a Framework Agreement on Trade with Mercosur in 2006 with a view to inking a preferential trade agreement (PTA) leading to a free trade agreement (FTA), the secretary added.

He said Pakistan had annual trade of \$1 billion with Mercosur countries, adding trade with Argentina stood at \$200 million, which had the potential to rise to \$800 million.

The FTA would provide an opportunity to bridge the trade deficit with Mercosur countries, the secretary emphasised and called Argentina and Brazil lucrative markets but Pakistan was mainly focused on textile exports.

"Pakistan-Mercosur FTA will create further win-win opportunities for both Argentina and Pakistan," he said. The secretary emphasised that the Ministry of Commerce was making efforts to restart negotiations in the wake of Pakistan's bid to sign PTA and FTA with Mercosur states.

"As Pakistan's request is being taken up by the External Relations Group of Mercosur, the commerce ministry has intensified its trade diplomacy by engaging embassies of Brazil and Argentina in Islamabad," he added.

"PTA with Mercosur will provide Pakistan an opportunity to diversify exports of products and markets as well as enhance trade with Latin American countries in order to introduce new products in pharmaceutical, information and communications technology, auto part and light engineering sectors," he said.

According to the secretary, it will also benefit the textile industry which is currently Pakistan's biggest exporter.

"It will help in strengthening our business and trade relations in the region and will provide a level playing field to Pakistan vis-a-vis its competitors in Latin America," he pointed out.

Argentina and Brazil are among world leaders in agro-food production and adoption of modern technology in making innovations in seed production and food processing.

The commerce ministry sees a huge scope of technical assistance and investment from Brazil and Argentina in agricultural conservation and food processing in Pakistan.

“Pakistan and Argentina may engage in mutually beneficial collaboration and technology transfer in agro-food processing, meat processing, cattle rearing and fattening, etc,” it suggested.

The Ministry of Commerce said it was focused on increasing and incentivising collaboration in ICT investment with Latin American countries as there was a significant potential in the region for the export of IT-enabled services, incubation and innovation, e-commerce, etc.

Both the sides could mutually benefit by enhancing cooperation in chemical and pharmaceutical sectors, especially in the value chain and import regulations and certifications in the pharmaceutical sector, it said and cited mining as another area for collaboration between Pakistan and Argentina.

Source: tribune.com.pk- Dec 27, 2018

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Bangladesh: RU prof develops eco-friendly technology for textile

A professor of the Department of Applied Chemistry and Chemical Engineering, Rajshahi University (RU), has developed a low cost eco-friendly technology for textile industries of Bangladesh recently.

The technology will play a very positive role in significantly reducing environmental pollution by the textile industry.

Dr Mohammad Taufiq Alam, the developer, filed a provisional patent application for the invention with the Department of Patents, Designs and Trademarks under the Ministry of Industries on December 9.

The technology has been developed under an industry-university collaborative sub-project of Higher Education Quality Enhancement Project (HEQEP) and is being implemented by the Department of Applied Chemistry and Chemical Engineering of RU.

This is for the first time in the country's higher education that a total of 10 sub-projects have been awarded to eight public universities for conducting research in collaboration with industries.

Prof Alam said the technology will play a very positive role in textile pre-treatment to significantly reduce environmental pollution and also the costs in terms of savings in energy, water and effluent treatment.

Quoting a study report, Alam said the textile industries at present consume twice the volume of water consumed by the entire population of Dhaka city. Furthermore, textile pre-treatment process requires a high-energy input and generates a large amount of biochemical and chemical oxygen. The proposed technology will overcome the above shortcomings significantly, he claimed.

Textile fibres contain naturally occurring primary impurities and secondary impurities that are added during spinning, knitting and weaving.

Textile pre-treatment is a series of cleaning operations. All impurities that cause adverse effect during dyeing and printing are removed in the process. Pre-treatment processes include desizing, scouring, and bleaching which make subsequent dyeing and softening processes easy.

Cotton fabrics are mainly composed of 90% to 95% cellulose and surrounded by outermost noncellulosic surface, the cuticle. The presence of cuticle layer on the cotton surface drastically interferes with the wettability and dyeability.

Currently used conventional chemical pre-treatment process to remove the cuticle layer has led to serious water pollution as it involves the use of corrosive chemicals like sodium hydroxide, surfactants, chelators and H₂O₂ at boiling temperatures.

Moreover, the aggressive pre-treatment frequently damages the fabric and increases the health risks of operators. The alternative, an eco-friendly enzymatic process developed in the last few years.

Despite frequent reports on this enzymatic process of cotton, its industrial use has not spread because of its inability to remove cuticle completely, as a result desired whiteness and dyeability for light shade fabric was not achieved.

Dr Alam said they have synthesized a pre-treatment agent at low cost that shows synergistic effect when used with above eco-friendly enzymatic process. In conjunction with enzyme, it will perform pre-treatment and polishing together in a single bath, so that 45% water, 35% energy and 45% time can be saved compared to currently used conventional chemical pre-treatment process.

It will also significantly improve the whiteness and dye absorbency compared to above co-friendly enzymatic process so that light shade dyeing is achievable.

Source: thedailystar.net- Dec 27, 2018

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Pakistan: Commodities: No trading on cotton market

The cotton market remained devoid of activity on Wednesday as buyers and sellers stayed away from the trading ring.

In the absence of any clear direction from the government on the economic front and the erratic behaviour of currency market, trading dwindled in all commodity markets.

Slow off-take of cotton yarn in domestic and world markets is also taking its toll on the cotton trade. Most textile spinners are currently burdened with huge stocks of cotton yarn, brokers said.

“The entire cotton economy of the country is facing a financial crisis. Ginners holding huge stocks of unsold cotton are faced with liquidity crunch while textile spinners are bogged down with piled up cotton yarn stocks,” said cotton analyst Adil Naseem.

A leading cotton exporter Mian Mahmood Ahmed told Dawn that the export market was also not active because of the on-going US-China trade war. As a result all world leading cotton markets are performing below average and prices are also depressed, he said.

The cotton crop for the last four consecutive seasons had been recording a shortfall resulting in huge imports of the commodity for which the country has to foot huge bill of \$1 billion to \$1.5bn in foreign exchange, Mr Ahmed added.

If the country wants to enhance cotton production to 15 million bales, a road map must be worked out and followed to achieve the goal, he stressed.

The Karachi Cotton Association (KCA) spot rates stood static at Monday level at Rs8,700 per maund.

In the absence of buying interest trading on ready counter remained listless and no transaction was reported to have changed hands till late evening.

Source: dawn.com- Dec 27, 2018

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Pakistan: Textile industry demands Rs100bln in stuck tax refunds

Textile industry on Wednesday urged the government to settle more than Rs100 billion in outstanding sales tax refunds, which are causing serious liquidity crunch for manufacturers and exporters.

Ali Ahsan, chairman of All Pakistan Textile Mills Association said current and deferred sales tax refunds are lying pending at various large taxpayer units (LTUs) and regional tax offices (RTOs) mainly due to the cross-matching of invoices.

“The FBR (Federal Board of Revenue) should issue directions to all the LTUs and the RTOs for expeditious processing of refunds and subsequent payments against the refund payment orders issued in order to save industry facing the threat of being declared as defaulter,” Ahsan said in a statement.

“Banks are already reluctant to revise (financing) limits of companies as per the increased cotton rates.” Textile exporters said the government has not released a single rupee on account of duty drawback of taxes (DDT) and drawback of local taxes and levies (DLTL) since it came into power four months back.

Value-added textile exporters said the previous government released Rs32.18 billion on account of payment of DDT under the Prime Minister’s Trade Enhancement Package and DLTL claims under the textile policies of 2009/14 and 2014/19.

“The sitting government has not released a single rupee till date,” Jawed Bilwani, central chairman of Pakistan Hosiery Manufacturers and Exporters Association (PHMA) said in a separate statement.

“The new government has taken over charge for more than four months (and)

is busy in lip service, verbal announcements and photo sessions but no practical steps and measures have been taken yet to release the amount of claims of DDT and DLTL.”

Textile exports remained flat at \$5.506 billion during the first five months of the current fiscal year of 2018/19 as the value-added sector couldn't perform up to the mark despite constant rupee devaluation against the US dollar. Rupee has lost a quarter of its value against the US dollar since December last year.

Bilwani said huge amount of exporters' liquidity of billions of rupees in DDT and DLTL has been stuck with the government, causing great sufferings to the already-burdened exporters who couldn't understand "how to make both ends meet and such an alarming situation will ruin the export business of the value-added textile exporters".

"The government has not given any firm commitment to release DDT and DLTL claims," he added. PHMA's chairman further said billions of rupees in sales tax refund, customs rebates and withholding tax claims of exporters are also pending with the government.

"Value-added textile export sector is the backbone of Pakistan's economy (and) earns major amount of foreign exchange and revenue for the government," he added. "Besides, the sector is also labour-intensive and largest employment provider and generator. Value-added textile exporters are battling for their survival in the global market due to costly inputs and high cost of manufacturing."

Bilwani demanded of the government to help the industry overcome the challenges, provide an enabling business environment and create a level-playing field for textile exporters. "It is crucial that the government should immediately release payment against DDT and DLTL claims of textile exporters and accord priority to resolve the issues of textile exporters."

Source: thenews.com.pk - Dec 27, 2018

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NATIONAL NEWS

Manufacturing sector posts strong sales growth in Q2: RBI

Manufacturing sector, particularly textile and iron and steel segments, maintained its pace of sales growth in the second quarter of 2018-19 as compared to the year-ago period, the RBI said Wednesday.

Demand condition in the manufacturing sector "maintained its pace in the September quarter 2018-19 as reflected in strong sales growth (year-on-year)", as per the RBI analysis of 2,700 listed private sector non-financial companies.

"The manufacturing sector sales growth was mainly supported by robust demand conditions in chemical and chemical products, iron and steel, and petroleum products industries coupled with significant improvement recorded by textile industry," the RBI said.

The central bank said heavy moderation was seen in the sales growth of motor vehicles and other transport equipment, driven in part by a large adverse base effect, and pharmaceutical and medicine industries.

The information technology (IT) sector also recorded further improvement in sales growth over the year-ago period.

The manufacturing sector continued to record strong growth in net profits, which received support from other income.

The RBI said companies in manufacturing sector posted a net profit of Rs 47,100 crore in the reported quarter, up 29.4 per cent from the same period last year. The data is based on abridged financial results of 1,734 companies in the manufacturing sector.

"Despite continuous contraction in the telecommunication, the services (non-IT) sector posted a turnaround riding on the support from wholesale and retail trade," the RBI said.

The profit of IT sector, based on data of 172 firms, was Rs 17,700 crore in the second quarter, up 5.8 per cent over the July-September period of 2017-18.

As per the RBI, the combined sales of 2,700 companies was Rs 9,81,800 crore in the September quarter, up 18.2 per cent from the year-ago period.

Their net profit was Rs 71,900 crore, an increase of 41.7 per cent year-on-year.

On expenditure front, manufacturing companies continued to face rising input cost (cost of raw materials, staff cost) pressures. In case of IT sector, staff costs accelerated in tandem with the improvement in sales growth, the RBI said.

Source: business-standard.com- Dec 26, 2018

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India's export show extremely good but I am not fully satisfied: Commerce Minister

India is preparing a specific strategy for exports to each geography as part of plans to make 2019 a year when outward shipments would start driving the country's overall economic growth, Commerce and Industry Minister Suresh Prabhu has said.

The minister said India's exports performance has been "extremely good" in the past 14 months, but he is not fully satisfied as yet and the plans for 2019 also include a special focus on boosting shipments to the African continent and Latin America given huge growth potential there.

He said the Indian exports are growing at a time when the global trade is witnessing worst ever headwinds, countries are fighting at import duty front and there is increasing protectionism and slowdown in demand. "(But) I am not fully satisfied. I want exports to drive India's growth. To do that, the situation is very challenging as each country is trying to put their own borders," Prabhu told PTI in an interview.

Since 2011-12, India's exports have been hovering at around USD 300 billion. During 2017-18, the shipments grew by about 10 per cent to USD 303 billion. Experts have cautioned that growing trade tensions between the US and China could impact the global trade growth.

Imposition of high import duties by the US this year on certain steel and aluminium products have triggered a trade war kind of situation. The World Trade Organisation (WTO) too has stated that escalating trade tensions and tighter credit market conditions in important markets will slow trade growth in 2019.

"In 2019, we would like to ensure that all measures that we initiated earlier and the new measures get consolidated and 2019 should be a new year for exports. So I am preparing a strategy. For each of the geographies, we will prepare a specific strategy," Prabhu said.

Elaborating on his plans, the minister said African continent holds huge potential for domestic exporters and there is a need to significantly boost shipments to that region. Prabhu said his ministry is in process of creating a template for some kind of a free trade agreement with Africa which will take into account the overall difference of level of growth of that continent and the country specific profiles.

Similar plans are there for other regions as well, including for Latin America, he said. Central America, South East Asia, Central Asia and South Asia hold huge potential for domestic exporters, but "our performance is at sub-optimal level" in these regions, he added. Emphasised on the need to promote value added exports, Prabhu said his ministry is trying to bring Japanese and Korean companies on board to increase outbound shipments of marine products.

He also hoped that the recently announced agri-export policy will help boost exports from the sector to USD 60 billion in the next five years and USD 100 billion in the next 10 years. "This is doable because we are the largest producers of milk and the second largest producer of fruits and vegetables," he said. The ministry would be drawing a strategy to promote shipments of five categories -- plantation crops, meat, fisheries, agriculture and horticulture, he added.

For this, the minister will be meeting all plantation boards, farmers associations and organisations and discuss issues related to every segment. "We are asking states for product-specific clusters. For example, in Jalgaon (Maharashtra) we are promoting cluster for bananas, and for grapes in Nashik," he said.

The ministry is also preparing an incentive package for labour intensive sectors like leather to address issues faced by exporters. "We are preparing a package which will ensure that exporters' woes are addressed properly. There have been challenges for the export sector over a period of time and one big challenge is credit," he said. The ministry is also looking at quality of goods being exported by India as foreign firms are keeping a special tab on this. Further, Prabhu said as India is one of the major exporter of services like IT and ITeS, the ministry's strategy will have elements to promote services exports also.

The government has approved an action plan for 12 champion services sectors, including IT, tourism and hospitality, for realising their potential through establishment of a Rs 5,000 crore dedicated fund. Commenting on the growth prospects next year, exporters said the government needs to focus on areas like timely refund of Goods and Services tax; adequate availability of affordable credit; extending export duty benefits to more areas like seeds; and interest subsidy to merchant exporters.

"If government will take all these steps in the coming months, we can register 20 per cent growth in exports," the Federation of Indian Exports Organisation (FIEO) President Ganesh Kumar Gupta said. Promoting exports helps a country to create jobs, boost manufacturing and earn more foreign exchange.

The commerce ministry is in favour of hiking import duty on aluminium with a view to support domestic manufacturers, Prabhu added. "That is a proposal to protect our domestic industry. The proposal is under examination and we support the proposal," Prabhu told PTI. The commerce and industry minister said that there has been a complaint by aluminium industry about dumping of the commodity.

He was replying to a question about the government's plan to increase import duty on aluminium. The industry has demanded increase in import duties on aluminium scrap and primary aluminium amid a high growth in inward shipments of these items. They are demanding to raise the duty on primary and scrap aluminium to 10 per cent. Currently, the basic customs duty on aluminium scrap and primary aluminium is 2.5 per cent and 7.5 per cent, respectively.

Besides this, domestic players have also urged to impose minimum import price and some kind of quota on the imports for the user industry. Total production of aluminium in India is about 4 million tonnes and consumption is about 3.6 million tonnes.

The demand comes in the wake of the US imposing 10 per cent duty on certain aluminium products. China too has raised the duties. Aluminium is required by the industries like automobile, construction, consumer goods etc. All these industries are growing in India and the country is producing sufficient amount of the required metal domestically, an industry expert has said.

Source: millenniumpost.in- Dec 26, 2018

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Government plans export prop for SMEs

Aim is to create a sustainable ecosystem for MSME development with special schemes and easy financing

The government is planning an exclusive promotion scheme for micro, small and medium enterprises, besides an export credit hedge fund and a governing council to ensure the sector gets the benefits of different schemes and the firms achieve the target of \$100 billion shipments by 2020.

“MSMEs are often faced with challenges that restrict their entry into the foreign market. Not only do these challenges need to be studied in details but an ecosystem also needs to be created in such a way that these enterprises are able to participate in the global value chain on their own and generate enough economies of scale,” a strategic action plan, titled Unlocking the Potential of MSME Exports, prepared by the MSME ministry said.

The action plan aims to create a sustainable ecosystem for MSME development, including special schemes for the sector, interest subvention for easy financing and steps to scout for new markets.

There is a proposal to set up an export credit hedge fund to be run through private fund manager(s) for grant of export credit to the MSME exporters. It

will be a professionally managed fund, which will be used to diversify and manage the risks associated with export credit.

The report said credit demand as on March 31, 2018, of the MSME sector is estimated to be \$370 billion against the supply of \$139 billion, resulting in a finance gap of \$231 billion.

A study will be conducted of the special economic zones and export promotion zones in the country to reassess their role and objectives as these are an essential constituent of the Foreign Trade Policy and important to harness their potential.

Moreover, a tech-enabled online portal shall be developed featuring a country-wise list of global products and services in demand and information on how to enter the specific foreign markets. It will also have details on the loans and credit offered by various financial institutions.

Source: telegraphindia.com- Dec 26, 2018

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Pain points for the MSME sector

The RBI has its task cut out as it sets about addressing the sector's credit and viability concerns

A debate on MSMEs has come alive due to the Centre's insistence on a regulatory reprieve for the beleaguered sector post GST and post demonetisation.

The RBI at its last Board meeting that Urjit Patel chaired, promised to set up a Committee on the MSME sector by the end of this month.

There is an estimate, authenticated by the Centre, that there are around 50 million MSMEs, both registered and unregistered, employing 120 million, second only to agriculture.

Credit crunch

MSMEs contribute 6.11 per cent of manufacturing GDP and 24.6 per cent of services GDP. They also account for 16 per cent of bank lending. Around 8 per cent of credit to manufacturing micro and small enterprises and 13 per cent to medium enterprises are estimated to be gross NPAs.

MUDRA (Micro Units Development and Refinance Agency) and the '59-minute loan sanction' promises enhanced credit reach to the sector with SIDBI in the lead for both. MUDRA helped banks to push the services sector lending below ₹5 lakh significantly.

Field studies reveal that MUDRA loans have been used by several banks to swap a good number of failing micro service sector loans. There is also evidence of moral hazard following adverse selection as several enterprises are non-traceable at the location mentioned in the applications.

In the band of ₹5-10 lakh the percentage of loans is less than 20 per cent, indicating preference for a risk free portfolio and lack of interest in the manufacturing sector.

The government has put in place e-Invoice, TReDX, Samadhan, GeM to ensure prompt payment of bills from public sector undertakings and central government departments. Even so, the State PSUs and state government departments continue to delay the bills of MSMEs, leading to NPAs.

A procurement policy has been put in place to provide for preferential purchase from MSMEs, without sacrificing the conditions of quality of goods and services supplied to the buyer.

The process of loan disbursal is also cumbersome. Quite a few banks follow a multi-layered approach to lend to the sector and as a result due diligence suffers. The branch that disburses is also expected to monitor and supervise the credit but does not have the time or manpower for that.

There is hardly any communication between the entrepreneur and the credit authority until an irregularity in the account surfaces.

So given declining credit and growing NPAs, the following 12-point Agenda is a way ahead for the RBI panel:

- Thresholds in priority sector portfolio.
- Credit risk assessment of the MSMEs
- Thresholds for declaring the MSMEs as NPAs — 98 per cent of the portfolio in the fold of proprietors/family owned enterprises in the shape of partnerships, have no exit route of the sort facilitated under the IBC code or the Industrial Disputes Act.
- Revival and restructuring of sick enterprises — Innovative institutional interventions like the Industrial Health Clinics in States that carry the highest numbers of enterprises in this category.
- Cluster Development — Additional lending incentives.
- SIDBI's Role — Review and Redefine for assuming real leadership role.
- The guarantee mechanism in the shape of the Credit Guarantee Fund Trust for Micro and Small Enterprise (CGTMSE) needs to be reviewed and redefined.
 - It has a role conflict with SIDBI as the latter is its promoter and at the same time secures its guarantee for the enterprises financed directly by it. CGTMSE premia rates were found to be high by their primary lending institutions and the claim settlement process unacceptably late.
 - Role of credit rating agencies and effectiveness of internal credit rating tools.
 - Recommendations to the Centre on policy initiatives.
 - Digitisation of MSME lending and managing its transition.
 - Setting up of Movable Asset Registry — Operational issues and directions.
 - Setting up of Public Credit Registry — Roadmap for data integration without sacrificing data privacy and data security.

Given the cascading effect of the large corporate manufacturing and services enterprises on the MSMEs, their healthy growth is crucial for employment and growth of the manufacturing sector as a whole.

Since MSMEs are still largely debt driven and not equity driven, it is important that access to credit should be easier, cleaner, and faster.

Source: thehindubusinessline.com- Dec 26, 2018

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Govt tightens e-comm policy to check misuse by online players

E-marketplace players can't sell the products of vendors in which they hold stakes

Plugging some of the loopholes in the Foreign Direct Investment (FDI) norms on e-commerce, the Centre has come up with a review policy explicitly stating who can sell on an e-commerce platform, and the distance that e-tailers have to maintain with their vendors. The norms will come into effect from February 1, 2019.

Online marketplace players, including Flipkart and Amazon, are now barred from selling the products of companies in which they hold stakes, said a press note issued by the Department of Industrial Policy & Promotion (DIPP) on Wednesday. For instance, Amazon holds stakes in Cloudtail India and Appario Retail and will not be able to sell their wares.

Inventory vs market

Norms have also been tightened around ownership and control over inventory by an e-commerce entity providing a marketplace service. "Such an ownership or control over the inventory will render the business (market-based model) into an inventory-based model.

The inventory of a vendor will be deemed to be controlled by the e-commerce marketplace entity if more than 25 per cent of (the total) purchases of such a vendor are (made) from the marketplace entity or its group companies," the note said.

E-commerce companies with foreign funds have to compulsorily operate as a marketplace, as FDI is allowed only in such models, and not in inventory-based ones.

Under an inventory-based model, companies can sell their own items; in a marketplace model, they can only serve as the link between buyers and vendors.

“In light of the deeming fiction, any sale beyond 25 per cent from a single vendor will automatically be treated as inventory and thus be barred,” pointed out Atul Pandey, Partner, Khaitan & Co.

The measures will wipe out confusion and the communication gap which was used by e-commerce players and MNCs to their advantage, said Praveen Khandelwal of the Confederation of All India Traders.

“In the wake of foul play of global players in adopting all kind of tactics to control and dominate retail trade in India through e-commerce, today’s clarifications of the government will prove to be an embargo on such practices,” he said in a statement.

The policy also emphasises that the e-commerce marketplace entity should not mandate any vendor to sell any product exclusively on its platform.

Source: thehindubusinessline.com- Dec 26, 2018

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Visakhapatnam port to get cruise-cum-coastal cargo terminal

Vizag port is all set to get a cruise-cum-coastal cargo terminal! Recently, the proposal to develop a cruise-cum-coastal cargo terminal at the outer harbour at Visakhapatnam has been approved at a cost of Rs 77 crore, by the Modi government.

According to a PTI report, after inaugurating the command control centre at the port, the Chairman of the Visakhapatnam Port Trust, Krishna Babu said that the project involves building of a new berth, development of a backup

area behind the berth with internal roads, water supply, sewer and drainage system, parking facilities as well as illumination of the areas.

He further said that Visakhapatnam has been included by one of the major cruise lines in its itinerary and its ship would berth at the port during January-February, giving a boost to the cruise tourism.

According to Babu, the command control centre was planned with a view to provide centralized control for monitoring the operational activities. He said that operational officers, as well as senior supervisors from the marine, railways, CISF, traffic as well as mechanical and electrical engineering, would be posted in the centre.

He also informed that the centre has the functionality of real-time interaction with external agencies like Navy, Coast Guard, customs, marine police and National Disaster Response Force during emergencies.

Additionally, the centre has been provided with advanced technological features such as round-the-clock CCTV footage from as many as 80 high-resolution, high-definition cameras installed at various operational locations for effective surveillance, Babu said.

The Chairman, on the port's performance, said that the growth pattern of cargo traffic was continuing for the third successive year and for the current financial year 2018-2019, the target was 66 million tonnes.

So as to achieve the target, he said that an incremental volume of 2.46 million tonnes over 63.54 million tonne handled during the previous year 2017-2018 was to be realized.

This year, till the month of November, a total of 43.03 million tonne was handled as against 40.95 million tonne during the corresponding period last year and in the first eight months of 2018-2019, an incremental volume of 2.08 million tonne was achieved, Babu said.

Source financialexpress.com- Dec 26, 2018

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High MSPs this year but no crop left to sell

Cotton farmers of erstwhile Khammam district are in for yet another challenge this farming season. Last year, while the cotton produce was high, the minimum support prices were quite low.

This resulted in an overall reduced income from the crop. This year, when the market prices are crossing an already high MSP value, production has been marred by the Phethai cyclone and untimely rains.

M Narayana, cotton farmer of Enkoor mandal said last year production was high but prices were less this year prices are good but production is less. "Fate is playing games with our lives", lamented Narayana.

At least one lakh farmers cultivated cotton in over four lakh acres in erstwhile Khammam to overcome their debts this year. Thus, they invested at least Rs 20,000 per acre by taking even more debts from money lenders. Bhukya Manga, a woman farmer of Julurpad mandal said, "After the prices were announced, we were very happy and thought we will finally be able to clear our debts but the recent Phethai cyclone damaged all our crop and watered all our hopes."

In a good crop year, the cotton production is said to be anywhere between eight to ten quintals per acre. But this year the number is halved to just four to five quintals per acre. While the MSP is as high Rs 5,350 per quintal this year, market prices are also crossing the MSP at times.

And yet low produce has marred all hopes of a productive year, bringing great distress to all farmers. K Venkanna, farmer of Konijerla village said, "After I came to know of the prices I planned to get my daughter married but due to less production I was forced to postpone it again." Farmers now look to the State government to rescue them from their crisis.

Source newindianexpress.com- Dec 26, 2018

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