IBTEX No. 139 of 2020 June 29, 2020

US 75.61| EUR 84.98| GBP 93.52| JPY 0.71

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INTERNATIONAL NEWS

EU-Vietnam FTA: India's labour-intensive export sectors to feel the heat, China may gain

Pandemic-hit Indian exporters, especially in labour-intensive sectors, are expecting their fortune to plummet further, as key competitor Vietnam has clinched a free trade agreement (FTA) with the EU.

The pact will raise competition between the Asian rivals for the lucrative EU market in a range of products such as garments, footwear, marine products, plastics, rubber, leather and coffee (See the chart).

Importantly, Vietnam will get duty-free access to the EU for 71% of its goods from day one and 99% after seven years but Indian supplies will continue to attract up to 9.6% duty (the maximum, among the products from labour-intensive sectors, is on garments).

Duty may vary within the same product category

Sources: Ministry of commerce; General Statistics Office of Vietnam; EC

Moreover, trade analysts expect a further jump in investments by China and others in Vietnam to take advantage of its duty-free access to the EU, at the cost of India. As such, according to a Nomura report last year, as many as 26 of 56 companies that relocated out of China between April 2018 and August 2019, set up shop in Vietnam.

While India shipped out such products worth $12.2 billion to the EU in 2019, Vietnam exported $13.5 billion — a substantial portion of their total goods exports of $55.7 billion and $41.5 billion, respectively, to the bloc. Of course, with the UK out of the EU now, the bloc's share in supplies for both the countries will drop.

The EU, India's second-largest export destination, accounted for about 17% of the country's total outbound shipment. However, in a labour-intensive segment like garments, its share (including the UK's) was typically about 30%.

This will further harden the challenge for India to even hold on to its market share in various labour-intensive export segment, let alone grab the space being gradually vacated by China in some of them, analysts have already warned.

Of course, India's product basket for the EU is much more diversified than Vietnam's, which will somewhat soften the blow for New Delhi. However, trade agreements usually enables nations to widen their product portfolio and given Vietnam's stellar performance in exports of telecoms and garments in the past decade, India can't afford to be complacent in any manner.

Another breather for India is that the EU remains a low-tariff destination, with zero or minimal import duties on several key products, including mobile phones, iron and steel, furniture and cashew, which will blunt the advantage for Vietnam.

Also, according to the FTA pact, EU duties on apparel have dismantling periods stretching from five to seven years for the more sensitive items and zero to three years for less sensitive goods. The duties on footwear also gets the similar "staging period". This will offer some time for Indian exporters to get their act together.

India's goods exports dropped marginally year-on-year in the calendar year 2019 to $324 billion, while those to the EU fell at a sharper pace of 3%.

Meanwhile, after 16 rounds of talks between 2007 and 2013, negotiations for an India-EU FTA have been stuck due to differences over the bloc's demand for a sharp cut in tariffs on auto parts and wine by New Delhi, among others. Both the sides, however, were trying to revive the trade talks

earlier this year when the Covid-19 hit, forcing authorities to shift focus to tackling the pandemic.

Gautam Nair, managing director at Matrix Clothing, one of the country's largest apparel exporters, recently told FE: "The clear tariff differential in the EU market will add to our already-stark disadvatages in other areas (logistics costs, etc) and further erode our competitiveness vis-à-vis Vietnam," said.

Raja M Shanmugham, president of the Tirupur Exporters' Association, called for no quick-fixes but a long-term vision. "Promoting garment clusters, initiating structural reforms and tailoring policy interventions accordingly will be a way forward," he said recently. Tirupur is the country's largest garment exports hub, having recorded outbound shipments of around Rs 25,000 crore in FY20.

Ajay Sahai, director general and CEO of the Federation of Indian Export Organisations (FIEO), cautioned against much tougher competition from Vietnam in labour-intensive sectors, flagging our history of losing market share to Hanoi.

Flagging the threat to its export-competitiveness, the Debroy panel had earlier said India's logistics costs alone accounted for as much as 15-16% of the consignment value.

Also, as pointed out in an earlier report by HSBC, India's domestic bottlenecks explain 50% of the recent slowdown in overall exports (remaining the biggest threat to its outbound shipments), followed by world growth (33%) and the exchange rate (just 17%).

Source: financialexpress.com– Jun 29, 2020

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China's Exporters Find Virtual Trade Fair Is No Match for Real Thing

China's attempt to shift the world's largest trade fair online this month has demonstrated that for some things, it's hard to replace meeting face-to-face.

The Canton Fair, usually held in the southern megacity of Guangzhou twice a year, managed to get some 25,000 exhibitors to sign up for an online opportunity to 'meet' global buyers. This took place through a virtual architecture built by Tencent Holdings Ltd featuring live streaming, translation and conferencing technology.

But for many of the exhibitors interviewed by Bloomberg News over the past week, catching -- and holding -- the attention of browsing visitors online is much more difficult than in a physical setting. Communicating and following-up on leads afterwards was also more tricky in the virtual system.

"The online format definitely can't replace the real fair for now, and I can't see it happening even in one or two years," said Yvonne Xu, a sales manager of Hangzhou Sinosky Industrial Ltd., a manufacturer of apparel and fashion accessories.

That is a sobering thought for technology optimists who hope that global commerce can shift quickly to operating online in an era where the coronavirus has curtailed global travel. China also needs sales now, as exports are down almost 8% this year so far and are scarcely expected to recover while the global economy remains in lockdown.

Like many other exporters, Xu's company trained their salespeople in the weeks running up to the fair in order to be familiar with live video merchandising techniques. They also hired foreign models to make hundreds of photos for the online catalog. But the enormous hits they had expected from clients didn't materialize.

Xu felt the virtual trade fair was still a new thing that hasn't yet been accepted by foreign clients. In the real-world exhibition, customers come into a booth and can quickly spot the goods that interest them. In the live-streaming show, however, a salesperson would spend at least 1 or 2 minutes on each product and clients move on quickly if nothing catches their eye immediately.

While there's a lot of visitor traffic, it is more difficult to get in touch with the clients compared with the old model, said Lilian Ho, a manager at the shoe making company Wenzhou Steed International Industry Co. Ltd. "We have pages of visitor logs, but we can't reach out to them as there are only names. Maybe that's because of privacy concerns, but all I need is just an email address," Ho said.

Ho missed the traditional fair, where a face-to-face conversation could quickly address clients' questions, and salespeople would get hundreds of business cards for follow up later. In the virtual sphere, if a client doesn't get a response within 30 seconds or so, they will likely exit, and it's impossible to find them unless they leave their contacts or come back themselves.

The instant messaging tool is also not ideal, according to Bonny Chen, sales director at Hangzhou Shuaike Textile Import and Export Co., a manufacturer of leather clothing. Chen is happy with the visitor traffic – one live-stream session got over 1,800 viewers, inspiring her to seriously consider doing more online marketing via live-streaming apps in future. However, the communication is not smooth via the live chat tool as it sometimes lags, making typing text a burden for both sides.

Both Tencent and the Canton Fair organizers declined to comment on the feedback about the interface.

Admittedly, the live-streaming platform was built from scratch within two months. And the event was free of charge as the government was eager to support the export sector. Some smaller firms also did better than they expected.

Dayu Song, sales director at Zhejiang-based Haining Xinlong Seamless Garments Ltd. which exports yoga suits and sportswear, said her live-streaming sessions received over 1,200 visitors, 6 times her previous Canton Fair experience. In addition, 16 companies made serious inquiries, also a big jump from 2 or 3 in the past, she said.

The live-streaming site's mysterious algorithm probably helped, as her company, without paying for any advertising, stayed at the top of the sportswear page for the first four days. That's unimaginable in the real world where bigger manufacturers get bigger, better-designed booths and more attention.

”Despite all the hiccups in the system, we still think highly of the future of online fairs,” said Song. “Online fairs add one sales channel to a small factory like us and give us an opportunity to shine.”

Source: bnnbloomberg.ca– Jun 28, 2020

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China: Industrial firms' May profits grow by 6 percent

The profit growth of Chinese industrial firms turned positive for the first time this year in May as cost pressure due to the COVID-19 epidemic eased, the National Bureau of Statistics said on Sunday.

Analysts said the country should ramp up its efforts to revitalize domestic demand to sustain the improvement in industrial earnings amid mounting uncertainties.

The total profits of major industrial firms increased by 6 percent year-on-year to 582.34 billion yuan ($82.29 billion) last month, compared with a 4.3 percent fall year-on-year in April, the bureau said.

For the January-May period, industrial profit growth remained in negative territory but the decline narrowed for the third consecutive month to 19.3 percent year-on-year, recovering from a 27.4 percent plunge over the first four months.

Zhu Hong, a senior statistician at the NBS, cited the easing pressure from rising costs as a key reason for the improving industrial profits, with the cost-revenue ratio dropping to 84.77 percent for the first five months, versus 84.91 percent for the January-April period.

Zhu also attributed the industrial profit improvement to the deeper drop in industrial material prices compared with that of finished goods prices, the significant recovery in the profits of key industries such as petroleum processing, power, chemicals and steel, as well as higher investment returns by industrial firms.

"Although industrial profits achieved positive growth for the first time this year in May, market demand was still weak due to the impact of COVID-19. The sustainability of profit recovery remains to be seen," Zhu said.

Zhu urged putting into place policy measures to ensure stability and security in a wide range of fields, referring to government policy priorities aimed at bolstering the corporate sector and the overall economy, such as safeguarding employment and supporting business growth.

The easing cost pressure shows that the policy measures to help business keep afloat have started to take effect, according to a CITIC Securities report.

In the latest effort to reduce the cost pressures faced by enterprises, the National Development and Reform Commission, the country's top economic planner, released a notice on Sunday that extends the 5 percent electricity discount for businesses to the end of the year.

Favorable policies such as the reduction of electricity costs and broadband prices and tax and fee cuts are expected to help industrial sectors to continue to recover, the report said.

But there could be setbacks in the industrial profit rally as uncertainties continue to plague the recovery in demand, said Zhang Deli, chief macroeconomic analyst at Yuekai Securities.

The NBS data showed the growth in the revenue of major industrial firms fell to 1.4 percent year-on-year last month from 5.1 percent in April, pointing to a slower recovery in demand.

"Domestic demand remained anemic while external demand may further drop and weigh on the profits of export-oriented businesses," Zhang said, citing the continued spread of the coronavirus across the world and the uncertainties surrounding China-US trade relations.

The textile, clothing and home appliance industries could bear the brunt of shrinking external demand, said an Everbright Securities report.

Source: chinadaily.com.cn– Jun 28, 2020

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Value of US fabric imports declines by 11.37 per cent

The value of fabric imports by the US from January to April 2020 declined 11.37 per cent, revealed latest reports by OTEXA.

According to the report, the country imported $1.83 billion worth of fabrics during the period. However, volume-wise decline was less than the previous year.

The country imported 4,023.27 million SME of fabrics during the period. As far as major exporting destinations are concerned, China plunged significantly in both volumes and values by 23.07 per cent and 29.30 per cent, respectively.

Korea Republic, the second largest fabric exporter to the US, fell in its value-wise fabric exports but shipped more volumes of fabrics than the last year.

Noting 8.22 per cent surge, Korea Republic shipped 416.67 million SME fabrics to the US worth $180 million which fell 6.16 per cent.

India too fell by 4.21 per cent to ship 531.72 million SME of fabrics to the US in the review period and clocked $155.18 million revenue which is 6.78 per cent less than the same period of 2019.

In contrast, non-traditional fabric exporting countries such as Cambodia, Myanmar, Indonesia, Australia, Malaysia and Denmark registered huge growth in their volume-wise fabric exports to US. Some of these even noted growth in value-terms.

Source: fashionatingworld.com– Jun 26, 2020

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33% supply chain leaders to exit China by 2023: Survey

According to a recent Gartner survey, 33 percent of supply chain leaders either already have moved their sourcing and manufacturing activities out of China, or plan to do so by 2023.

. An exit from China would follow growing consumer sentiment against buying products made in the country. As many as 47.8 percent of consumers to a June Coresight Research survey said they either agree or strongly agree that U.S. retailers should source fewer products from China.

In light of the pandemic and the sentiments that have emerged surrounding it, 39.7 percent said they are now less willing to buy products manufactured in the so-called “world’s factory.” It would be shortsighted to blame the pandemic alone for the pressures within the chain, especially given that the trade war between the U.S. and China has lingered for two-plus years.

The US will seek a broader reset of tariffs at the World Trade Organization (WTO), in which the U.S. will be working to raise its WTO tariff ceilings.

Source: fashionatingworld.com– Jun 27, 2020

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Vinatex’s profit before tax to decline by 50 per cent

The Vietnam National Textile and Garment Group (Vinatex) has forecasted its consolidated profit before tax this year will fall by half to VND 382 billion year on year due to the negative impact of the COVID-19 pandemic.

This is the lowest consolidated profit before tax over the past four years, according to the company. Consolidated revenue is estimated to decline 27 per cent to VND 14.64 trillion compared to last year’s figures, according to reports presented at its annual general meeting this year.

In the report, Vinatex has also reduced its revenue targets of parent company by 5 per cent to about VND 1.33 trillion and profit before tax by 56 per cent at 130 billion compared to 2019 because of difficulties in production and business during and after the pandemic. In the 2020-25 period, the group must adjust its development strategy because it faced competition in technology but not in price 10 years ago.

For its development in this period, Vinatex plans to promote mergers and acquisitions, and restructure its businesses because the group's current business and production model will become inefficient, according to a Vietnamese media report.

Besides continuing divestment, it would also buy shares of other companies as well as invest in newly-established enterprises necessary for the development strategy.

Source: fashionatingworld.com– Jun 27, 2020

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Indonesia: Local PPE producers pass international standards, gear up for export

Six Indonesian manufacturers of personal protective equipment (PPE) are preparing to export coveralls as they meet international standards for the product, amid an excess in national supplies during the ongoing COVID-19 pandemic.

The companies have passed quality tests for water resistance and hydrostatic pressure set by the American Association of Textile Chemists and Colorists (AATCC), called AATCC 42 and 127, respectively. Their products also qualify for the protective clothing standard set by the International Organization for Standardization (ISO) under ISO 16604.

“Today, six of 16 domestic producers have been certified as they prepare to export and meet the global demand,” Industry Minister Agus Gumiwang Kartasasmita said in a virtual press conference on Thursday.

Local PPE producers currently can provide a total of 648 million coveralls every year, which far exceeds the annual domestic consumption of 11.3 million, according to Agus, a Golkar Party politician.

The export plans come after the Trade Ministry recently revoked an export ban on healthcare products, allowing manufacturers to ship abroad simple masks, N-95 masks, coveralls, surgical gowns and raw materials for face masks amid domestic oversupply.

Meanwhile, the country's total exports were down 28.95 percent year-on-year (yoy) in May at US$10.53 billion, the lowest level since July 2016, due to reduced shipments of coal, coffee, palm oil, as well as oil and gas.

Many countries, including Indonesia, demand continuous supply of protective gear to fight the pandemic, which has infected 9.2 million people worldwide and more than 50,000 people at home.

Apart from coveralls, the minister said Indonesia could now produce 3 million N-95 masks and 4.7 billion surgical masks per annum, which also far surpassed estimated domestic needs at 172 million masks every year.

Production began to soar in April as many textile companies switched from fashion to PPE in response to prior supply shortages.

"We feel confident that our national industries are firm in facing challenges arising from the global pandemic," said the minister. "This is clearly seen in key industrial sectors that help Indonesia tackle the [COVID-19] disease, such as medical devices, consumables and pharmaceuticals."

Despite the industry's success in avoiding PPE shortages, many health workers using the products have been complaining about the quality of locally produced PPE.

"While the majority of the products have passed [tests for] medical standards, many doctors are complaining that the coveralls are too heavy and uncomfortable. This is the reason why we could not take in all the locally made PPE products," Health Ministry crisis center head Budi Sylvana said on June 9.

He added that many small hospitals and clinics also refused to use washable PPE and preferred instead to purchase disposable products, as they did not have the systems in place to disinfect PPE.

"There are cases of COVID-19 infection among medical workers caused by unsterile PPE. Not all hospitals have the ability to sterilize the PPE correctly," he said.

Source: thejakartapost.com– Jun 26, 2020

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Interview: RCEP manifests free trade, multilateralism amid global difficulties: Vietnamese scholars

The Regional Comprehensive Economic Partnership (RCEP) trade pact, once signed, will act as a meaningful symbol of trade liberalization and multilateralism, not only in the region but also in the world, said a Vietnamese scholar.

Vo Tri Thanh, former deputy head of Vietnam's Central Institute for Economic Management, told Xinhua in a recent interview that the current progress of concluding the mega free trade agreement demonstrated the firm commitment of the Association of Southeast Asian Nations (ASEAN) and its partners to upholding an open, inclusive and rule-based multilateral trading system.

In the 36th ASEAN Summit Chairman's Statement released on Saturday, leaders of the member countries welcomed the progress made for the full conclusion of the negotiations of the RCEP and looked forward to the signing of the deal by the end of 2020.

Earlier on June 23, economic ministers of the 10 ASEAN member states as well as China, Japan, South Korea, Australia and New Zealand have reaffirmed their commitment to signing the pact this year.

Thanh believed that the deal will be signed by the end of this year given the determination of participating countries. The RCEP, initiated by ASEAN in 2012, is a proposed free trade agreement (FTA) between the 10 member states of the association and its six FTA partners -- China, Japan, South Korea, Australia, New Zealand and India.

According to Thanh, the signing of RCEP will be especially meaningful, given the context that trade protectionism has been rising in the past five years, colliding with the trend of trade liberalization and globalization.

"It will act as a manifesto that regardless of difficulties and complex developments, RCEP participating countries still keep faith in free trade, support it and proceed it with optimism, and that deepening connectivity is still the main trend in the region and the world," said the expert.

As a free trade agreement, RCEP matters in the way it synchronizes the progress of integration and development in the Asia Pacific, which is a step

towards the formation of the Free Trade Area of the Asia-Pacific (FTAAP), Thanh said.

In the newly released 36th ASEAN Summit's Chairman Statement, the leaders underscored the importance of free trade agreements like RCEP in transforming the region into a global ASEAN, in contributing to the post-pandemic recovery and in creating resilient supply chains.

Amid unprecedented challenges posed by the COVID-19 pandemic, the free trade agreement is expected to boost participating countries' growth, trade and investment, businesses and employment, among others.

Once signed, the RCEP will be the world's largest free trade bloc, accounting for 45 percent of the world population, 40 percent of global trade and around one-third of the world's gross domestic product (GDP).

RCEP's large market size and strong trade and investment linkages between the ASEAN and its dialogue partners suggest that any small reduction in trade barriers, which the deal focuses on, will significantly increase trade benefits, Vo Dai Luoc, former head of Hanoi-based Institute of World Economics and Politics under the Vietnam Academy of Social Sciences, told Xinhua.

"These benefits will then transform into greater amounts of jobs created, and thus lead to increased GDP and poverty reduction in emerging ASEAN economies such as Cambodia, Laos and Myanmar," Luoc said.

As trade barriers are lowered and market access for goods and services are improved, ASEAN will become more attractive to foreign companies that want to participate in a more integrated area.

"This will enhance transparency in trade and investment, as well as facilitate small and medium-sized businesses of the ASEAN to participate in global and regional supply chains," the expert added.

By the implementation of RCEP, the ASEAN can help reconnect the regional and global supply chain, which was disrupted by the COVID-19 pandemic, through which the bloc can affirm its role in the regional and the world economy.

"Being the ASEAN Chair 2020 and a strong advocate of the free trade deal, Vietnam will definitely be benefited from it with immediate impacts," he said.

According to the expert, RCEP will hand Vietnamese businesses the opportunity to boost exports, participate in new value chains and attract more foreign investment. The import tax cuts will open up new opportunities for products from prominent sectors such as telecommunications, information technology, textiles and footwear, and agriculture.

Echoing Luoc's view, Thanh further commented that RCEP joining will urge ASEAN countries to step up reforms and innovations, as well as to improve investment and business environment.

"To investors, an ASEAN economy is much more attractive when it is placed as part of the mega regional production value chain, instead of standing alone," the expert said.

Thanh also said China has stood out as an important trade partner of ASEAN, and an active player committed to pushing forward the negotiations.

"Together with the ASEAN's role in constructing a cooperative institutional base, China's role is very important to the signing and implementation of RCEP," Thanh said.

Source: china.org.cn– Jun 27, 2020

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Pakistan: Five-year trade policy finalised

The commerce ministry on Friday finalised five-year Strategic Trade Policy Framework (STPF) draft with measures to diversify exports from traditional sectors to high quality and globally-competitive engineering products.

The announcement came following a review meeting led by Adviser to PM on Commerce Razak Dawood to discuss the framework at the Commerce Division.

"The final STPF draft will be placed before the Economic Coordination Committee of the cabinet shortly", the adviser said while adding that the draft is being reviewed by stakeholders.

In March, PM Imran Khan had asked the Commerce Division for early finalisation of five-year STPF and Textile Policy in consultation with stakeholders to make it more inclusive for boosting exports.

PM Khan had directed the Commerce Division to finalise the draft five-year plan with a deadline of Dec 31, 2018 to accelerate exports. However, the division failed to prepare a plan within the said time, missing the deadline by almost one-and-a-half year.

Under the proposed STPF 2020-25, special focus has been directed to increase exports of textile, leather, surgical and sports goods, carpet, rice and cutlery were included along with non-formal and development sectors like engineering goods, pharmaceuticals, auto parts, process food and beverages, footwear, gem and jewelry, chemicals, meat and poultry, seafood, marble and granite.

Dawood said that Pakistan is rapidly diversifying its exports into high quality and globally-competitive engineering products.

While discussing the policy, he said that one of the objectives of the STPF is to achieve diversification of exports in products other than the traditional ones. He said the exports of new products especially engineering and pharmaceuticals sectors will be promoted.

"We are going to reduce our reliance on five traditional export sectors—textile, sports, surgical, carpet and leather", he said, adding that this approach of diversifying exports has also been supported in the Budget 2020-21 through reduction of import duties on raw materials and tariff rationalisation.

Talking about the emerging sectors for export opportunities, Dawood said the country's engineering products, especially home appliances are now producing internationally-competitive products.

He added that in pursuance of the diversification policy, the export of microwave ovens from Pakistan has been confirmed for the first time by Dawlance.

He said that with government support, other engineering products will soon follow suit. In this regard, duties on import of television components have been reduced to promote local manufacturing.

The adviser was optimistic that the results of the first-ever Mobile Phone Manufacturing Policy recently announced by the government would soon become visible in the coming months in the form of an increase in exports of locally-manufactured mobile devices from the country.

In the last decade, the Commerce Division has notified three STPFs in 2009-12, 2012-15 and 2015-18, but none of these were successful in achieving desired objectives due to various reasons. Moreover, past policies also failed to alter the export paradigm over last decade.

The 2009-10 STPF failed mainly due to mismanagement, whereas the 2012-15 framework suffered at the hands of government's failure to release the allotted funds.

Further, the 2015-18 STPF was announced after a delay of more than nine months and suffered from financial crunch as the government only released Rs500 million of the total budget of Rs20 billion leading to poor implementation.

The ultimate target of the last STPF was to enhance the country's annual exports to $35bn by 2017-18.

Source: dawn.com– Jun 27, 2020

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Bangladesh: Garments industry needs evolution, not revolution

We need to do better. We need a complete "industry reset". We "cannot go back to the way things were before". I hear all of these sentiments and read about them each day on my various social media feeds. Part of me thinks, "yes, we must strive for a better industry". I also agree that the events of the past few months have exposed huge fault lines within our sector, not least of which is the unequal relationship between buyer and supplier.

In some ways, then, I go along with calls for a different type of apparel and textile industry beyond Covid-19. We must all strive to be the best we can possibly be and I share the natural instincts of many to hope that something good and positive can come out of such a difficult and, in many cases, tragic period of history.

At the same time, there is a nagging feeling in the back of my mind. What does a "better" industry actually mean? More pertinently, on a practical level, what does it mean for RMG manufacturers in Bangladesh? Until we have clear answers to these questions, there will be anxiety among myself and my peers with regards to how any kind of industry reset might impact us and our workers.

If an industry reset means an improvement to purchasing practices, that would certainly be a welcome step forward. The past few months, in which we have seen public rows between brands, industry trade bodies and suppliers, have not helped anybody in our sector. Such rows cannot be repeated moving forwards.

More robust contracts, and perhaps an increased use of L/C must be the way forwards to stop brands walking away from orders without looking back. This would be a step forward for suppliers, providing more stability, and it would actually also help brands because it would mean we would all know exactly where we stand. Such a change is something we would all welcome.

The concern is where there is talk of broader changes associated with an industry reset. I also have concerns where people say we will become a "more sustainable" industry after Covid-19. Really? Let us be realistic here. The key to sustainability lies in supply chains—this is where emissions occur, this is where so much water is used and, in many cases, wasted. Change here will not happen overnight, as much as we would all like it to.

Sustainability costs money (something we do not discuss enough) and, as we know, many suppliers are short of money right now; many are on the verge of bankruptcy.

Suppliers cannot magically up investment for sustainability projects out of thin air. Their priorities are paying their bills and paying their workforce. After that, they might think about investing in new effluent treatment technology or energy saving devices, but they cannot do any of these things until they have ensured they are financially viable. This is not me being negative, I am just stating the stark reality of the present time.

Likewise with brands. There are very few cash-rich brands and retailers at the present time. Even those with money are shoring up their balance sheets after a terrible 2020. There will be little appetite to invest in better supply chains.

The key here is to manage expectations. Any reset we see in our industry moving forwards will be about evolution, not revolution. Many people seem to think that the coronavirus has somehow hastened the sustainability agenda. Again, without wishing to appear like a killjoy, my question is, how would that work? Who will pay?

I also read recently that the Council of Fashion Designers of America and British Fashion Council have jointly called for the fashion industry to slow down as part of a much-needed industry change post Covid-19. The two trade bodies suggest the current time offers an opportunity to "rethink and reset the way in which we all work and show our collections." As part of this, they propose no more than two main collections per year.

I see these remarks as a counter-balance to fast fashion. There are many others who are saying fast fashion will become irrelevant moving forwards.

The problems with fast fashion and excessive consumption are well documented and, from an environmental perspective, a move towards better made clothing would be better for the planet. But this surely must be a gradual shift in order to give supply chains time to adapt. And, indeed, any discussions around this shift need to involve suppliers; we need a place at the top table.

We must remember that the fast fashion industry provides millions of jobs around the world. It has helped lift many millions of garment workers out of poverty, providing them with a stable income and putting a roof over their

heads. People like to criticise fast fashion but the business has provided regular business for thousands of garment factories in Bangladesh for almost two decades.

To be clear, I am greatly in favour of a more sustainable industry and I also, like many, believe climate change is a much bigger challenge than the coronavirus. We cannot afford to take our eyes off the ball on this issue.

But, I also think all of us need time to pause for breath. These past few months have been the most volatile period for the global economy in more than a century. For many of us, there is no time to think of resets. We just want to get through 2020 and, those of us lucky enough to still be around beyond that, can maybe start planning a brighter future in 2021 and beyond.

Source: thedailystar.net– Jun 29, 2020

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Pakistan: Weekly Cotton Review: Bullish trend witnessed

Significant increase of Rs 600 per maund in the price of cotton. There is a gap between the demand and supply of Phutti. It is expected that 5 percent sales tax imposed on Khal will be abolished. It is hinted that textile sector will be functional soon. The threat of Locust attack is increasing.

In the local cotton market bullish trend was witnessed during the last week due to the gap of demand and supply of new Phutti crop and due to the functioning of ginning factories. On the other hand some textile mills showed their interest in buying of cotton, Phutti and Banola due to which their prices increase.

In Sindh the rate of cotton opened at Rs 7600 - 7800 and increased by Rs 600 per maund and the cotton was sold between Rs 8350-8400. In Punjab the rate of cotton opened at Rs 8500 and after increasing by Rs 500 it reached at all time high of Rs 9000 per maund.

In the same way the rate of Phutti increased by Rs 300-400 per 40 Kg. In Sindh the rate of Phutti is in between Rs 4000 to Rs 4350 while in Punjab the rate of Phutti is in between Rs 4400 to 4450 per 40 kg. Although in Punjab majority of the Phutti supplied from Sindhi. The rates of Banola increased by Rs 200 - 300 per maund.

If the situation remained like this it is expected that rates will be increased. After the increase in the rate of dollar and after the lowering of interest rate to 7% by State Bank of Pakistan, it is hoped that textile sector will become active and exports of textile sector will be increased. The Spot Rate Committee of Karachi Cotton Association is issuing the spot rate of old cotton till June 30. The Committee increased the spot rate by Rs 100 per maund and closed it at Rs 8100 per maund.

The season of cotton in Pakistan is in between July 1st to June 30. Pakistan Cotton Ginners Association has not issued the final statistics of cotton production because of the lock down due to coronavirus. The old season is going to end on June 30 and PCGA will have to present a final report till June 30. According to the estimates ginners had the stock of 200,000 to 250,000 bales. The sowing of cotton in Sindh, Punjab and Balochistan is on final stages but production estimates were not announced however, area of cultivation was announced. Every year the cultivated area and production of cotton was announced by Federal Committee of Agriculture but this year nothing was announced from them may be they announced the estimates after thorough review.

However, there is a question mark on the production of cotton this year because of substandard seeds and due to the Locust attack on the crops. There are speculations that cotton production will be in between 75 lac bales to 95 lac bales. Although it is premature to say anything at this time because the cotton crop is fragile and has to go through many stages.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that mixed trend was witnessed in international cotton market. China is fulfilling its need of cotton from America after rising tensions between China and India. Before that when the tension was rising between China and America it was hoped that China will import cotton from India.

Now the tension is increasing between both the countries and both the countries are hinting that they will boycott import and export from each other. Due to this bearish trend is prevailing in the Indian cotton market. In order to support the ginners Cotton Corporation of India is buying cotton from ginners by giving them concessions.

It is learnt that China is thinking to end its trade ties with American supporter Australia. After that it is likely that China will show its interest in buying cotton and cotton yarn from America and Pakistan. Currently, China is importing cotton from America.

According to the weekly USDA report China has the most import deals. The largest cotton-producing state in the United States is said to be affected by the drought. Due to this it is expected that Rate of Promise (Waday Ka Bhao) of New York Cotton will increase.

On the other hand, lockdowns in major countries of the world due to the coronavirus are being eased and business has started to return to normal. As a result, shopping is expected to resume. It is hoped that this will lead to an increase in the business of other products including textile products.

Rate of cotton remained stable in China while bearish trend is witnessed in India. Federal minister for National Food Security and Research Syed Fakhar Imam while, talking to the delegation of Pakistan Cotton Ginners Association said that efforts are under way to develop agriculture sector on scientific lines to enhance yield of major crops including wheat, cotton and rice.

He also said that production of cotton in the country can be increased by using latest scientific techniques. The mattes related to tax refunds and liquidity crunch were discussed in the meeting.

While addressing a press conference Fakhar Imam showed his apprehension that Locusts may attack Pakistan in July. They can come from Afghanistan, Iran, Africa, Oman, and from India. The government of Pakistan is taking steps to save the crop from the attack of Locusts.

In this regard National Disaster Management Authority has ordered 11 aeroplanes for spraying in the fields. He also said that China is also helping us in controlling the Locust attack.

Meanwhile chairman PCGA Mian Sohail Javed Rehmani along with former vice chairman PCGA Sheikh Asim talked to Standing Committee of Senate on Finance and committee constituted by speaker National Assembly on agriculture regarding abolishing of 5 percent sales tax on Khal.

In the light of these discussions the committee prepared the recommendations and send to the parliament. Foreign Minister Shah Mahmood Qureshi and central PPP leader Syed Naveed Qamar had promised that they will play their role in abolishing the 5 percent sales tax imposed on Banola. Its echo was also heard in the National Assembly in recent days.

Moreover, All Pakistan Textile Mills Association (APTMA), in a letter written on Tuesday to Abdul Razak Dawood, Adviser to PM on Commerce, Textile and Investment says that the textile sector is gearing up to boost its exports in next financial year by $3 billion as the industry is on the way to achieve 80-90 percent capacity utilisation in the next quarter as order books are filling up.

But the boost is conditional as the industry wants assurance from the government to extend competitively priced energy in the region, lower sales tax and quick refunds and reduction of turnover tax to 0.5 percent from existing 1.5 percent.

The letter also says that the textile industry will try to achieve $17.5 billion exports so that the trade deficit of Pakistan is completely covered for next financial year and no further foreign currency borrowing is required.

It urged the government to resolve the issues that include the extension of competitive priced energy, lowering of sales tax and quick refunds and slicing down the turnover tax to 0.5 percent while deliberating the proposed budget for 2020-21 tabled in the Parliament.

The letter mentions saying that enhanced exports are the only sustainable way in which Pakistan can sustain the economy as debt burden is already unsustainable otherwise.

APTMA letter says, the country's total export in the outgoing financial year 2019-20 will stand at $21.60 billion and the remittances will be hovering at $22.54 billion whereas the estimated export target has been set for 2020-21 at $27 billion with remittances at $18 billion.

However, import in the outgoing financial year will be at $44.49 billion whereas the sum of exports and remittances in 2019-20 will be $44.14 showing the net trade deficit at 0.45 billion US dollars.

Advisor to Prime Minister on Commerce and Investment Razak Dawood announced to release an additional grant of Rs 6.2 billion for the textile sector under the Drawback of Local Taxes and Levy (DLTL) scheme.

Source: brecorder.com– Jun 29, 2020

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NATIONAL NEWS

Textile units seek loan restructuring package

Indian Texpreneurs Federation (ITF), with members from across the textile value chain, has appealed to the Union government to announce an one-time loan restructuring package.

Prabhu Dhamodharan, covener of the Federation, told presspersons recently that according to a study that the ITF commissioned nine months ago, in which 1,800 companies were covered, it was found that many units needed one-time restructuring package. “Now, in the current Covid situation, we feel that this one-time restructuring will help at least 30 % to 40 % of the companies.”

Further, the ₹3-lakh crore relief package announced by the Union Finance Minister last month for MSMEs specifies that only industries with maximum loan of ₹25 crore can benefit from the package. Textiles is a capital-intensive industry and there are units with ₹ 250 crore turnover but with ₹30 crore to ₹50 crore loan. Hence, the debt ceiling should be increased to ₹100 crore, he said.

The average capacity utilisation across the value chain is 40 % and with drop in textile consumption, the manufacturing units are expected to see only a gradual improvement in orders. Hence, the units need more financial support.

The demand currently is better for low cost and value-for-money products and for goods sold online. On the export front, order enquiries are healthy for the next quarter or so, mainly for home textiles and apparels. The industry should now focus on the man-made fibre (MMF) sector, he added.

The ITF has initiated a cluster project where about 50 units have come forward to dedicate their production facilities to Japanese customers, if the Government can provide market link to them with a cluster in Japan. Japan has a huge market and Indian textile and clothing sector has just 1 % market share now, Mr. Dhamodharan said.

Source: thehindu.com– Jun 28, 2020

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Grim outlook for cotton prices

Prices may slide further as surplus is likely to swell next year, given higher kharif acreage

Cotton prices have been sliding since the beginning of the year due to concerns about demand in the aftermath of Covid-19.

Indian spinning mills are running at 50 per cent capacity due to shortage of labour or for want of order for yarn. Now, given the news of an increase in area under cotton in India — world's largest cotton producer — the price outlook on cotton for the medium term is negative.

According to data from the Agriculture Ministry of Agriculture, as on 26 June, the area under cotton was 71.69 lakh hectares. In the same period in the last kharif season, the area under cotton was 27.08 lakh hectare. The increase is dues to higher support price (₹5,515 per quintal, up ₹260, for medium staple; ₹5,825/quintal, up ₹275, for long staple). Besides, Punjab and Haryana governments had asked farmers to diversify from paddy to cotton.

If the same pace continues in sowing, the season will end with significantly higher acreage under cotton and there will be a sharp jump in output the next year (October 2020-September 2021).

Considering that there will also be a large carry-forward stock from the current year that will move as opening stock for the October 2020-September 2021 year, cotton prices will be under pressure. For the October 2019-September 2020 period, the Cotton Association of India (CAI), the industry body with representations of growers, ginners, mills and merchants, has estimated a closing stock of 50 lakh bales (1 bale = 170 kg). This is higher than last year's closing stock of 23.5 lakh bales.

The increase in closing stock is on account of higher production (up 5.8 per cent to 330 lakh bales) and a drop in domestic consumption by about 10 per cent over previous year to 280 lakh bales.

So, in the next cotton year, unless the Cotton Corporation of India (CCI), the government agency that procures cotton, steps in and buys in large scale, the situation is likely to be grim for cotton farmers.

Peasants, who have chosen cotton over paddy, have their fate hanging in the balance. The CCI is stuck with a large stock from the current season's procurement itself. One can't be sure if it will be able to dispose all its stocks and make space for procurement for the next year.

Drop in prices

Cotton prices have dropped because of lower demand. In markets where CCI is not present, private ginners are procuring i at least ₹10-15/kg lower than the minimum support price (₹52.55/kg for medium staple and ₹55.50/kg for long staple), as demand is weak.

Globally, too, cotton demand is dismal and prices have been sliding lower. In the beginning of the year, the price of the ICE (Intercontinental Exchange) Futures Cotton #2 contract, a global benchmark for cotton, was quoting at 70 cents per lb. But a drop in demand due to Covid-19-led trade disruptions saw prices fall to about 48-49 cents/lb in April.

While prices have recovered from there and are quoting at 59 cents per lb, it is still about 15 per cent lower than the prices in January.

The USDA in its latest World Agricultural Supply and Demand Estimates (June 11) has said that the closing stock for cotton year 2020-21 will be 104.67 million bales — the largest since 2014-15, thanks to slow recovery in demand in China and India, as consumers are likely to defer purchase of clothings.

CCI loaded with stocks

The CCI procured about 91.10 lakh bales between October 1, 2019, and May 31, 2020.

By June first week, it crossed 98 lakh bales, and the market reports that the Corporation's procurement has crossed 1.2 crore bales now — a record high for any year. It is not certain if CCI will be able to keep up this pace in procurement next year as well.

The CCI is already burdened with stocks. It is reducing the sale price of its cotton, but still doesn't have many takers. On June 2, the auction price was ₹45,000/candy (356 kg) for cotton of staple length 29 mm; in the auction

on June 24, the price was slashed to ₹35,000-36,000/candy in places including Akola, Aurangabad, Rajkot and Indore.

Even at prices of ₹33,500-34,000/candy, there were not many takers for CCI's stock. Industry sources say that private ginners and traders have sufficient stock with them for the next two months and that is a reason why they are not participating in CCI's auction.

By September, the ginners may need the CCI's stock. But one can't say how much of the CCI's stock will be sold as demand outlook is uncertain. If the CCI is not able to liquidate enough stocks by December, its cotton procurement in the next season may take a hit.

While this may be good news for ginners as it can help keep them afloat and make them competitive in export markets, it is certainly not good news for the cotton farmers.

Source: thehindubusinessline.com– Jun 28, 2020

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India is not much behind in capability, what we lack is scale: Gokaldas MD

Sivaramakrishnan Ganapathi, managing director of India's largest apparel exporter, Gokaldas Exports, tells T E Narasimhan that dependence on China will automatically reduce when economic or strategic logic is associated with it

The prime minister has mooted self-dependence as the new manufacturing mantra for the Indian industry. How will this affect you?

Self-dependence is a good mantra for any industy. At a macro level, it is never individual firms but the entire manufacturing ecosystem that competes. China has one of the most robust "aatmanirbhar" (self-reliant) manufacturing ecosystem that serves as a worthy example of industrial leadership. They have the entire value chain, producing practically all kinds of fibre, fabric and trim types to quality and scale that provides a strong supportive ecosystem for apparel manufacturing.

India is not much behind in terms of capability, but we lack scale. The textile value chain is well-developed in India and that is primarily the reason why India has robust apparel exports of approximately $16 billion a year. Availability of good quality cotton; besides presence of viscose and polyester fibre mills; and spinning, weaving and processing units across several industrial clusters make India an attractive destination for apparel manufacture.

The apparel world is complex and seasonal. There are product types that require special fabrics and trims that are still not produced in India. Indian apparel manufacturers have a choice of either importing those raw materials from other countries, including China, or not participating in those opportunities. In the interest of continued development of the industry, world trade in raw material should continue so that value addition can be done in India.

Self-dependence should be interpreted as producing high quality goods required for Indian and global consumption in India with as much value addition as possible in the country.

How much does the textile industry depend on Chinese imports? As anti-China sentiment is increasing, is it possible to reduce the dependence on China?

The key question to ask is whether we want to completely replace global inputs at the cost of economic advantage of scale. The industrial ecosystem is still largely dependent on China for certain coated fabrics, special trims etc. While the technology is available, the challenge is capacity and quality. Industrial capacity creation needs investment appetite and a gestation period. While eliminating dependence on China is possible with time, the strategy should really be to reduce reliance on China. As a country we need not replicate everything done in China, but focus on adding value in India.

Which products are imported from China by the textile industry?

A wide variety of textile products are imported from China. Even the tapes used for sealing PPEs manufactured in India are imported from China, though now we see some local producers entering to fill the gap. Imports of synthetic textiles and technical textile products are showing growth. Almost all other product types are either stagnant or declining.

The prime minister has been talking about reducing imports from China. Do you see the government taking measures to reduce it? What needs to be done, especially to create the supply chain?

Talking about it is the starting point. Getting it done follows. The sentiment about minimising dependence on China is growing in India and we need to respect that.

Creating industrial supply chains however requires time. The immediate focus needs to be on creating capacity in strategic and critical items like telecom equipment, electronic components and so on rather than frittering away our energy on replicating all that is manufactured in China.

Why is India or India Inc still not able to do backward integration?
China always had advantage in terms of cost of capital, lower cost of utilities, indirect subsidies, active government support to chosen industries — all of which lead to a formidable competitive advantage. The Chinese labour force is educated, disciplined and hard-working. They have an abundance of engineering talent, which anchors their industry. China has invested in building infrastructure, which ensures efficient movement of goods globally, which are vital for manufacturing success. Lower cost of capital and state support lowers project risk. Leveraging all of these, they have built capacities across sectors to a scale that is unprecedented in the world.

India is a highly entrepreneurial country and Indian entrepreneurs would enter any business where there is an opportunity to make economic surplus. We have the technical talent as well. Backward integration typically requires a higher level of investment and scale. Examples abound where Indian industry has built world-class manufacturing. In the textiles space for example, India produces some of the finest denims and that too sustainably. We have some ways to go in building the "surround systems" that provide enduring manufacturing preeminence.

Chinese companies have started investing outside China in countries like Indonesia, Bangladesh etc. Do you think that they will come to India also; has the trend started?

We see Chinese investments in white goods in India. As for textiles they still play the China plus one strategy by keeping the capital and knowledge intensive parts of the textiles value chain in China and moving apparel manufacturing to neighbouring countries, which have labour cost

advantage. This way lead time considerations can be addressed, while capital investments are optimised.

Further, China has invested in countries, which have large apparel manufacturing bases like Bangladesh and Vietnam, which enjoy duty-free access to large Western markets. India does not offer such an opportunity for now.

What has been the experience of Gokaldas; have you reduced the dependence on China?

We are always looking at working with our Indian suppliers to develop high-value internationally-sourced (including China) raw material in India, and have been reasonably successful at it. Our dependence on China for certain product types continues. Our endeavour is always to reduce the cost of supplies and more importantly cut down the lead time for obtaining them. Reduction of import dependence stem for such considerations.

What will be your suggestions to the Indian garment units to reduce Chinese dependence? How can it help them? Which segment should they focus on to be competitive in the global market and to tap the domestic market?

Businesses are run to maximise returns to all its stakeholders. Reduction in dependence on China will automatically happen if there is an economic or strategic logic associated with it. To compete with some of the structural advantages that China has, India needs to encourage large global retailers to buy more from India. Capacities will be built across the value chain when there are right investment incentives, competitive cost of capital and matching logistics infrastructure, some of which take time to deliver. In the meanwhile, free trade agreement with select large countries will spur the industry with a distinctive factor advantage.

Source: business-standard.com– Jun 28, 2020

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Textile companies gear up for antiviral fabrics

As the world faces the Covid-19 crisis, there is an urgent need for antiviral fabrics. Research shows that viruses and bacteria can remain active on textile surfaces for up to two days. Realising this scenario, India's textile companies have converted the pandemic-induced economic crisis into an opportunity, by coming out with antiviral textiles.

Technical textiles/specialised fabrics are finding their way in the making of masks and personal protection equipment as well as apparels now. This has resulted in several Indian textile companies partnering with overseas antiviral technology companies.

Even though this fresh demand may not nullify the Covid impact on the sector, the antiviral fabrics could prove as a saviour in these testing times, giving room for fresh value-added products, says industry.

One of the early entrants in this space has been Coimbatore-based Shiva Texyarn. The company has been working in the technical textiles space, making products for the Armed Forces such as chemical and biological warfare protection suits, and is one among the 5-6 companies which make such products globally. The company also makes high altitude clothing for the Army as well as bags and rucksacks.

Repurposing operations

Dr K S Sundararaman, MD, Shiva Texyarn told Telangana Today, "When Covid hit us, the Central government realised that protective coveralls were not available in India. Shiva Texyarn became one of the earliest companies to start making coveralls in the country. We were among the only few companies, which had both specialised garmenting technology and the fabric to make them.

As we were making and supplying coveralls to Hindustan Latex Limited, the nodal body for the Ministry of Health, we further diversified into making masks and started supplying to hospitals and pharmacies. We realised that either there is a N95 mask, which is a highly protective mask, which people are finding difficult to breathe, particularly elderly and children, or there is a cloth mask, which offers no protection."

He added, “We wanted to look at something that is via media, washable, economic and provides viral protection. We zeroed in on the Swiss HeiQ technology. The chemical has been tested on SARS-Cov2, which is responsible for the current pandemic. Additionally, the technology has the capability to kill the virus in a few minutes. The deactivation period of the technology is the shortest in the market. We are using this technology to make masks. We are different from other textile companies as we combine certain other chemicals with HeiQ technology, with certain repellant capability.”

The company has obtained globally accepted ISO 18184 certification, making it the first in the country to receive it for the antiviral activity.

Value-added products

Dr Sundararaman informed, “In the medical sector, there is a need for surgical scrubs. When we use barrier fabric for coveralls, there is a certain level of discomfort. We are creating a product using antiviral technology to create scrubs that are comfortable for use. In defence, there is an expectation to combine the antiviral technology with rainwear and outerwear, which will allow them to enter into virus-affected areas, if there is an emergency. Besides frontline workers, we also want to cater to the needs of migrant labour. We want to make our products available across India and are also receiving enquiries from the US.”

When asked if the company is looking at any green-field unit, he said, “There are no immediate plans. If there is one place where we are looking beyond Coimbatore, it is Telangana. The State government is very proactive and industry-friendly.”

Technology collaborations

In addition to Shiva Texyarn, HeiQ Materials in association with Taiwanese specialty chemical company Jintex Corporation is introducing its antiviral technology in India with several textile companies including Arvind and RSWM.

According to Kulin Lalbhai, ED, Arvind Limited, “In a very short period of time, we will introduce into the Indian market, fabrics that will provide best-in-class viral protection and are fashionable at the same time, under the brand Intellifabrix.”

RSWM (formerly Rajasthan Spinning & Weaving Mills) has also announced the launch of antiviral fabric range 'ViroSecure' with HeiQ technology. The company is targeting 20 per cent of sales in FY21, with its offering available from July 20.

Source: telanganatoday.com– Jun 28, 2020

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Why India's cost of production high but productivity is low – Explained

The recent conflict at the border between China and India has emerged as an unprecedented opportunity for India to introspect on why it hasn't been able to keep pace with rival China that has rapidly emerged as arguably one of the world's most formidable economic and strategic power. Interestingly, India was ahead of China in terms of its per capita GDP till 1990 both on PPP and nominal basis.

In 1991, India had a considerably higher per capita GDP in terms of PPP, current international $1,230 compared to China's $1,094, data from the World Bank shows. China's GDP grew over 10% between 1961 to 2018, with a peak of 27.27% in 1970. India, on the other hand, has never touched a double-digit growth figure so far. Although India embarked upon its celebrated economic liberalisation in 1991, it is apparent that China moved at a much faster speed, and, by 2018, China's per capita GDP in terms of PPP rose to international $15,376 compared to India's $6,697.

Soon after Independence, in 1948, India's share in world trade was 2.2%; that declined to 0.5% by 1970, and rose to 1.7% in 2019. On the other hand, China's share in world exports grew remarkably, from a mere 0.9% in 1948 to 13.3% by 2019. Indian governments, irrespective of their political ideologies, claimed to have made their utmost efforts to promote exports as stated in India's Trade Policies, year after year.

Despite a host of policy measures, irrespective of political ideologies, India's exports hovered around 0.5% between 1970 to 1991, and around 1.75 % in the world exports for the last decade. Interestingly, China's exports rose rapidly from the $1.4 trillion to $2.5 trillion between 2011 to 2019, and its share in the world exports grew from 10.5% to 13.3 %.

The Indian market today is dominated by products of Chinese origin, in consumer goods as well as capital goods, primarily because of their far lower prices compared to alternatives available to the customers in the marketplace. India's `2-lakh-crore mobile market is dominated by Chinese mobiles, with over 72% market share. Besides, products of Chinese origin dominate India's smart TV market with 45% share, telecom equipment market with 25% share, auto component markets with 25% share, apart from considerable penetration in pharmaceuticals, capital goods, organic chemicals and even several other consumer goods.

Such a state of affairs in the marketplace and economy explicitly reveals the hollowness of the talk on efficacy of the policy measures to counter the competition, and calls for an unbiased empirical examination of the issues that have obstructed India's economic growth, rather than bragging all the time.

Inefficiencies of India's infrastructure, logistics and supply-chains, and corrupt practices, put a considerable burden on achieving cost efficiencies for businesses operating in India, leading to low productivity and increased cost of production.

In 2019, India ranked 68th in the Global Competitiveness Index (GCI), a global, widely-accepted, empirical assessment of a country's institutions, infrastructure, adoption of ICT, macroeconomic stability, product market, labour market, financial system, market size, health, skills, business dynamism and innovation capability, carried out by the World Economic Forum. China ranked 34th. India also needs to introspect as to why it lost its competitiveness by 10 ranks from the previous year, whereas economies such as Azerbaijan and Vietnam improved competitiveness by 11 and 10 ranks, respectively.

On ease of doing business, in 2019, India ranked 77th compared to China's 46th, indicating the complexities of carrying out business operations in India not only prevail, but also pose a considerable obstacle to investments, both foreign and domestic. Bottlenecks in logistics, as evident by India's 44th rank compared to China's 26th in the Logistics Performance Index, remains a major challenge.

Prevalence of widespread corrupt practices had long been a formidable barrier for achieving efficiency in every sphere of human life and business operation on the Indian soil. Despite high-decibel propaganda by several political parties, headways made in curbing corruption remain limited, as

evident by a marginal improvement in India's ranking on the Corruption Perception Index. India's rank improved from 85th in 2014 to 76th in 2015, but slipped in subsequent years, and landed at 80th by 2019.

India should accept the realities on the ground, and resolve to achieve efficiency and competitiveness at all levels, including production and sourcing of inputs at competitive prices, identifying and removing bottlenecks of business complexities, infrastructure, logistics. Its endeavour should be aimed at making India and Indian products internationally competitive.

As a country comprising government (the Centre and the states put together), corporates and citizens, India needs to accept the systemic loopholes in the eco-system and resolve to overcome these and put itself on a sustainable growth path.

Individuals, including politicians, in power and opposition both, bureaucrats and other officials, corporates and common citizens are required to shun their short term gains, similar to what Japan followed after World War II, and put India on a growth trajectory in the real sense so as to fight against external economic and strategic aggressions victoriously.

Source: financialexpress.com– Jun 27, 2020

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Garment exporters flag delay at ports in clearing import consignments from China

Exporters of readymade garments and apparels have sought the government's support in speeding up the clearance of import consignments from China, including inputs for the sector.

The "undue delay" is impacting their operations and might result in further financial losses for manufacturers already grappling with the Covid-19 crisis, they said.

The Apparel Export Promotion Council (AEPC) Chairman A Sakthivel, in a letter to the Central Board of Indirect Taxes and Customs (CBIC), said, the Customs authorities at several ports are undertaking 100 per cent examination of goods originating from China, Hong Kong and Taiwan. This

has created undue delay in clearance of imported shipments of inputs which are meant for manufacturing garments for exports.

The delay is affecting factory operations as inputs are being held up at various ports and exporters fear that they might fail to meet the delivery schedule, the letter addressed to CBIC Chairman Ajit Kumar pointed out.

Earlier, exporters' body FIEO had expressed apprehensions that China may take retaliatory action and hold up Indian goods at Chinese and Hong Kong ports. There has been no formal communication from the government clarifying the situation.

"When business was gearing up to get back to normal after the relaxation of lockdown in India and other foreign countries, the recent delay in clearing the import consignments from China was adding to the crisis," AEPC said. Exports of apparels from India declined 91 per cent and 66 per cent in April and May respectively.

"Special priority should be given to manufacturer exporters who are dependent on these imports to service their export orders," Sakthivel added.

Source: thehindubusinessline.com– Jun 27, 2020

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India's growth story stuck between US, China

These are dystopian times brought about by three heavyweights of the global order. The US, India, and China are currently mired in a health crisis caused by the Covid-19 pandemic. And, they are also locked in a triangular clash, either militarily or on the trade front. Despite the repeated bearhugs between the three leaders — Prime Minister Narendra Modi, President Donald Trump, and President Xi Jinping — tensions have escalated with limited prospects of resolution.

After the June 15 Galwan Valley setback inflicted by China, the Narendra Modi government is now toying with various options to hit back against the Middle Kingdom. While the military preparations could take time, it reckons Beijing could be punished immediately on the trade front.

The government's e-commerce platform, for example, made it mandatory for sellers to indicate the country of origin while registering new products on the portal. This would certainly please the domestic traders' associations and the virulent social media manufacturing groups. According to media reports, the Commerce and Industry Ministry wants the Government e-Market (GeM), which has transactions worth more than $1 billion, to adopt this approach and promote call for an 'Atmanirbhar Bharat'.

India is also reported to have made a long list of goods from China to be subjected to punitive trade barriers. These moves are bound to be likened to protectionism, while raising the pitch for boycott of Chinese goods. After implementing Make in India and other Chinese-led investment programmes in India, a sudden departure without a proper policy in place, could undermine India more than China.

Trade with China

Consider the data provided by Vignesh Radhakrishnan, Sumant Sen, and Naresh Singaravelu in their report 'Is an economic boycott of China feasible for India?' in The Hindu on June 24. While 5.1 per cent of India's exports was destined for China last year, 3 per cent of Chinese exports came here. On the import side, 13.7 per cent of India's imports came from China, while China saw an insignificant share of its imports coming from India. The two-way trade with China registered marginal growth, with Indian exports increasing from 3.9 per cent to 5.1 per cent between 2015 and 2019, while imports from China hovered around 15 per cent.

China accounts for a major share of India's imports of antibiotics, nitrogen compounds, diodes and transistors, tubes and pipes of iron and steel, and electric accumulators, to take just a few examples.

It is an open secret that the much-prided Indian pharmaceutical industry is heavily dependent on bulk drugs from China. China is also the major supplier of semiconductors to India. And Chinese investments in the so-called Indian unicorns such as Snapdeal, Ola, Swiggy, Paytm.com, Flipkart, and BigBasket run into hundreds of millions of dollars.

Against this backdrop, would it be feasible for India to carry out an economic boycott? The writing is on the wall: For hundreds of millions of poor consumers in India, Chinese goods are certainly most affordable and accessible. Even if India wants to terminate structural dependency on Chinese goods and investments, the Modi government could draw lessons

from China to use the policy space with which Beijing built up its industry in the past four decades.

Those successful Chinese policies were centred around forcing foreign companies to set up plants in China to share their technologies. India, with its huge market, should have also implemented such domestic industrialisation policies. That's what former PM Jawaharlal Nehru chose to implement, and his policy of self-reliance is far from a slogans like "Atmanirbhar Bharat" without much substance.

US setback

In contrast to China, Trump has struck a body blow to India by suspending new visas to Indian software and other highly-skilled professionals under the H-1B and L-1 visa schemes. Despite buying billions of dollars of Apache helicopters and other defence equipment, Trump paid back Modi by blocking the H-1B visas, potentially affecting the morale of Indian professionals.

India enjoys a distinct advantage in supplying short-term service providers for managing American IT companies that are starved of manpower. But the Trump administration's war against immigration appears to be more of a war against Indian software and other professionals. The US is not even prepared to sign a totalisation agreement with India for protecting the rights of short-term IT and other service providers who divide their career between two or more countries.

The US, however, wants the data localisation norms to go so that its IT behemoths — Google, Amazon, Facebook, Apple and Microsoft — can monetise on Indian data. More than China, the recent deal between Reliance and Facebook amidst the Covid-19 pandemic could usher in a new phase of anti-"Atmanirbhar Bharat" equivalent to the damage wreaked by the East India Company.

Source: thehindubusinessline.com– Jun 26, 2020

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GST alert! File Nil statement in GSTR-1 through SMS from July

In an effort to ease the GST compliance for over 12 lakh registered taxpayers, the government has provided the facility of filing the NIL statement of GSTR-1 form through SMS, from July 2020. The Central Board of Indirect Taxes and Customs (CBIC) said that the filing of NIL statement in GSTR-1 form would substantially improve ease of GST compliance, according to the Ministry of Finance.

At present, the taxpayers have to go through a cumbersome process of logging into their account on the common portal and then file the statement. The government also informed that the status confirmation of the filed statement or return application can be tracked on the GST Portal by logging into the GSTIN account.

How to fill NIL GSTR-1 form through SMS?

The government has issued guidelines to fill the NIL GSTR-1 form through SMS. It said to initiate the SMS facility, the taxpayers need to send SMS to 14409 as NIL<space>R1<space>GSTIN number<space>Tax period (in MMYYYY). For instance: NIL R1 09XXXXXXXXXXXZC 042020 (for monthly return of April 2020) or NIL R1 09XXXXXXXXXXXZC 062020 (for quarterly return of April-June 2020).

After sending the above message, the taxpayers will get a six-digit code with validity up to 30 minutes. Hereafter, to confirm their NIL statement filing, the taxpayers need to send: CNF<space>R1<space> CODE to 14409. On successful code validation, the return will be filed and taxpayers will receive an acknowledgement number through SMS.

Meanwhile, as the filing of NIL GSTR-1 form will commence from the first week of July, the facility to file NIL monthly GSTR-3B return is already in the process since June 8, 2020. To fill the NIL return in FORM GSTR-3B, taxpayers need to send similar SMS, only they need to use 3B instead of R1 in their SMS to 14409.

Source: financialexpress.com– Jun 28, 2020

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A lot done but more needs to be undertaken for MSMEs to boost their liquidity, skill development

Ease of Doing Business for MSMEs: The micro, small and medium enterprises (MSME) is the backbone of Indian economy and the second-largest employment generator in the country needs special attention to come out of the present crisis. The MSME sector in India generates nearly 70 million, has a network of 30 million units and manufactures more than 6000 differential products has been hit adversely by the Covid pandemic as most economic activities had come to a complete standstill.

Last year, around 65,312 micro-enterprises had generated around 5.2 lakh jobs under the central government's credit-linked subsidy scheme- Prime Minister's Employment Generation Programme (PMEGP) whereby Rs 1929.83 crore margin money subsidies was used in that year. The government realizing the importance of the sector was pushing for reforms in that direction to achieve a double-digit GDP growth rate, before the coronavirus crises, took place.

The three-month lockdown had created a situation of survival for these smaller businesses enterprises most of whom are facing acute shortage of working capital to run their business. The government has been putting in lots of efforts to get the sector out of the brink of collapse. Since the last three months, it has introduced several measures to infuse liquidity to provide relief to this ailing sector.

They have introduced measures like offering collateral-free loan assistance and special liquidity schemes through partial guarantee schemes to revive the sector. This, the government hopes would arrest job losses and would help in kick-starting the economy again.

The central government had kept a target of achieving a $5 trillion economy by 2024 out of which $2 trillion was to be the contribution of the MSME sector. India can still hope to achieve the target as we are a fundamentally strong economy.

Technology advancement is one of the key areas for the government focusing on encouraging small businesses to achieve the goal of MSMEs contributing half of India's GDP in the next five years. It is the digitization that is helping businesses operate during the lockdown.

Technology Centre Systems Programme (TCSP) is been implemented by the Ministry of MSME at an estimated cost of Rs 2200 crore. The World Bank has given loan assistance of $200 million to set up 15 new Tool Rooms and Technology Development Centres (TCs) and also upgrade the current 18 TCs across the county. These TCs and other training Institutes have skilled 3, 59,361 youth as per the ministry.

In order to help youth to become an entrepreneur, and to help them procure prerequisite skills, the government had sanctioned over Rs 135 crore under the Entrepreneurship Skill Development Programme (ESDP) for organizing various skill development programs along with state government, industry bodies, social enterprises, etc. In 2019, 3,000 such programs were conducted and sanctioned. The industry bodies and various other elements of the society have also taken the onus of partnering in the program and run their own skill development units to help achieve the goal.

The central government has taken a lot of steps in the recent past to provide a boost to the MSME sector. According to Niti Aayog, nearly 20 per cent of the expenditure today is on technological advancement. Other than the technology centres also set up, there is also a proposal for 100 extension technology centres

There are several things that the government needs to do at this stage. Firstly ensure that the liquidity measures are percolated down to these small businesses. There are almost Rs 6.9 lakh crore lying idle with banks as a part of their reserve measure which can be given to the stressed MSME sectors.

There is also an urgent need to provide a one- time restructuring of loans for smaller businesses to prevent the increase in defaults. Though the central government has been taking a lot of initiatives, there is also an urgent need for the central government to design a comprehensive integrated policy to promote skill development and credit availability for expedited growth.

Source: financialexpress.com– Jun 28, 2020

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SBI sanctions Rs 20,000 cr loans to MSMEs under credit guarantee scheme

State Bank of India (SBI) has sanctioned loans worth Rs 20,000 crore to over 400,000 micro, small and medium enterprise (MSME) accounts under the Emergency Credit Line Guarantee Scheme (ECLGS), according to its chairman Rajnish Kumar.

The scheme, funded by the Centre, provides guarantee for 20 per cent additional credit to the bank's existing eligible borrowers from the MSME segment. It is part of the Rs 20 trillion package crafted to revive the economy disrupted by the lockdown imposed to contain the coronavirus (Covid-19) pandemic.

According to SBI's call with analysts after the Q4FY20 results, it had 800,000 eligible borrowers under the credit guarantee scheme. The eligible amount was estimated at Rs 29,000-30,000 crore, which is 20 per cent of the Rs 1.5 trillion portfolio. SBI's SME loan portfolio shrunk by 7.27 per cent to Rs 2.67 trillion in March 2020 from Rs 2.88 trillion in March 2019.

The new definition of MSMEs, which includes both turnover and investment limits, has made things simpler. It will lead to improved flow of credit to the sector, Kumar said while addressing a session organised by the Confederation of Indian Industry (CII) on 'International MSME Day'. He interacted with the MSME industry through a virtual platform.

The SBI chairman said the credit guarantee scheme for MSMEs under the 'Atmanirbhar Bharat' will reduce the pain of the sector, which has come under stress in the aftermath of the Covid-induced crisis. On the issue of financing, he said that SBI was increasingly utilising digital technology platforms to enable hassle-free credit flow to the MSME industries.

Data from good and services tax (GST) filings, income tax returns and analytics is helping the lender in classifying and disbursing credit. It encouraged the enterprises to utilise these digital platforms as it will help them in getting better access to credit.

Source: business-standard.com– Jun 27, 2020

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Unlock 1.0 may bring forth new GST challenges

Businesses will need guidelines to deal with possible GST levy on failure to fulfil contracts, and cancellation or return of piled-up inventory

With Unlock 1.0, the nationwide Covid-19 lockdown is being relaxed in many States. The focus is on returning to normalcy for economic activities. Every business will face tremendous challenges as the nation begins the path to recovery, while still facing the public health threat of the virus. The challenges would be multifold — liquidity, labour shortage, unfulfilled contractual obligations, and tax and legal considerations.

In order to provide relief to businesses amidst the pandemic, the Ministry of Finance had introduced several relaxations and extensions in deadlines etc, with regard to compliances mandated under the GST law. Most of these extensions such as filing of appeals, replies, various returns/reports and deadlines for making GST payments — including TDS and TCS payments — will expire towards the end of June 2020. In the recent 40th GST Council meeting held on June 12, 2020, the Council has recommended relief by waiving late fees and interest only for small taxpayers (aggregate turnover upto ₹5 crore).

Contractual obligations

While being mindful of statutory compliances, businesses seek to understand their options and determine how to proceed in terms of contractual obligations. What happens if you or your suppliers cannot deliver goods and/or services on time, or there is a short lifting of goods as against the minimum committed quantity? What happens if the contract is cancelled? What happens if the supplier imposes interest/penalty on delayed payment, or if the advance is forfeited due to non-fulfillment of contractual terms?

Understanding your contractual obligations and others' obligations to you is of utmost importance amid Unlock 1.0. This situation has led to several discussions around whether this pandemic will be treated as a force majeure event, to excuse a party of non-performance/delayed performance of contract or of having frustrated the contract such that it is rendered it impossible or impractical to perform. The applicability of force majeure is a question of interpretation, and is fact-specific. In cases where the plea of force majeure is untenable, contractual breaches such as non-performance

or delayed performance of agreed obligations could result in a surge in claims for contractual penalties and damages.

Applicability of the GST on penalties and damages has always been a bone of contention, given that an entry in Schedule II of the CGST Act which deems "agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act" as a service. The challenge, therefore, is to determine whether the damages can constitute consideration for supply of service, namely agreeing to the obligation to tolerate an act.

There is a plethora of AARs which have upheld the levy of GST on contractual damages. This entry faced a series of challenges as a declared service under the erstwhile service tax regime as well. There are certain favourable Tribunal decisions holding non-applicability of service tax on damages. But the recent trend of AARs shows a clear departure from the earlier position taken by the Tribunal, and therefore, setting the field for future litigations. The true colour of the payment, whether named as penalty or damages, would depend on the facts and circumstances of each case.

Supply-chain disruptions

Yet another problem to be dealt with during Unlock 1.0 is piled-up inventory in the retail supply chain, either due to lower demand or due to cancellation of contracts and returns. Let's take a simple example of return of goods, there would be two options. First, supplier can treat it as return of goods and issue a credit note to the recipient if the return is within the specified time prescribed under the CGST Act. The recipient would reverse ITC availed earlier and the supplier would adjust the excess tax paid due to return of goods.

Alternatively, the supplier can treat it as a fresh supply received from the buyer against a fresh invoice. The recipient would pay tax on the fresh supply, which should be available as ITC to the supplier. But the same would pose issues if the returned goods are expired. Here, the requirement of reversal of "attributable" ITC may arise in the hands of the supplier upon scrapping of the goods.

Let us take another example from service industry, say real estate, where the market is currently sluggish and there's very clearly an overhang of inventory with the increasing load of contract cancellations. These are long-term contracts, and it is very much possible that at the time of their cancellation during the pandemic, the period for issuance of credit note as

well as for filing of the refund claims both have already passed. It is vital that the government comes with a suitable amendment to clear the air.

In the recent GST Council meeting, no rate changes have been proposed. However, going by the global trend of slashing down the GST rates, it is still likely that a specified percentage GST rate reduction may be recommended by the GST Council specifically for the severely impacted sectors in its next meeting for the revival of industries. In a recent circular, department has taken a view that where the input and output are the same, though attracting different tax rates at different points in time, they shall not get benefit of refund due to inverted duty structure under Section 54 of the CGST Act.

The government should immediately withdraw such a clarification. In fact, in such a scenario, where the rate reduction entails accumulation of credits, the Government should ensure a full refund of the credits so accumulated. In this backdrop, not only would businesses have to reinvigorate their strategies to face the challenges posed by the global pandemic, but the government would also need to extend further assistance by way of effective measures to tide over the coronavirus crisis.

Source: thehindubusinessline.com– Jun 27, 2020

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CII wants more MSMEs to tap into Rs 3 lakh crore credit scheme; may urge govt to make this key move

CII President Uday Kotak on Saturday said the industry body could represent to the government to relax the turnover and investment limits of MSMEs in sync with the revised definition to enable a much wider pool of businesses to tap the 3-lakh-crore Emergency Credit Line Guarantee Scheme (ECLGS).

Kotak, who is also the managing director of Kotak Mahindra bank, said MSMEs must not just rely on conventional sources of funding, such as banks and shadow lenders, but also tap venture capital and angel investors to bolster their equity base to tide over the damaging impact of the pandemic.

The government has pledged full guarantee for up to 20% additional, collateral free working capital loans under the ECLGS. However, only

borrowers with up to Rs 25 crore outstanding as of February 29 and Rs 100 crore annual turnover will be eligible.

The government on Friday notified a decision to raise the annual turnover limit for a medium enterprise to Rs 250 crore from Rs 100 crore. Similarly, the investment limit to qualify as a medium enterprise has been raised to Rs 50 crore from Rs 20 crore,announced as part of the Rs 21-lakh-crore relief package in May.

The latest definition will come into effect from July 1. “It’s a fair point, and the CII would certainly consider raising it before the government,”Kotak said at a CII webinar, in response to a demand for implementing the revised MSME criteria.

Source: financialexpress.com– Jun 28, 2020

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Over 90% of sellers back on platform, seeing huge traction in new sign-ups from MSMEs: Flipkart

Walmart-owned Flipkart on Saturday said it has enabled more than 90 per cent of its sellers to resume business on the platform since April.

Also, the e-commerce major noted that it has seen a 125 per cent increase in new sellers signing up on the platform in comparison to its existing seller base for a period of April-June 2020.

“The impact of pandemic has urged businesses across the country to re-think their usual mode of operating and identify newer ways to function. Local MSMEs across the nation have realised the true value of e-commerce that enables them to stay connected with millions of customers,” Flipkart said in a statement.

“Since April 2020, Flipkart has enabled more than 90 per cent of its sellers to resume business on the platform. Sellers on Flipkart are able to leverage the benefits of nationwide market access along with an efficient, transparent and truly democratic functioning of their marketplace business,” it said.

Uttar Pradesh, Maharashtra, West Bengal, Delhi and Tamil Nadu were the top states where local micro, small and medium enterprises (MSMEs) have shown maximum interest in taking their businesses online.

These sellers operate in various categories ranging from women's clothing, personal care, food and nutrition, home improvement tools and baby-care products, it added.

To help MSMEs and sellers through this pandemic, Flipkart had introduced a health insurance plan, specific to COVID-19, to cover the sellers alongwith their families and employees, at a special rate with a coverage ranging between Rs 50,000 to Rs 3 lakh per individual with annual premiums starting at Rs 369.

It also ran a special offer on loans through Flipkart's Growth Capital programme to address the sellers' need for working capital.

"As a homegrown platform, Flipkart has a huge emphasis on enabling the local MSME industry of the country, by making them more digital and transforming their business journey.

By allowing MSMEs, artisans and smaller traders in India to bring greater efficiencies in their operations with a strong market reach; e-commerce is further empowering these businesses to generate livelihood opportunities," Flipkart said.

Source: financialexpress.com– Jun 27, 2020

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Trade worried over Chinese consignments held up by Customs

The Chennai Customs department's refusal to release consignments from China has led to a serious supply chain problem for companies heavily dependent on critical raw materials. Incidentally, nearly 30 per cent of import cargo handled in Chennai by both air and sea originates in China.

Clearance of all import consignments from China was stopped from 4 pm on Friday by the Customs department — second such stoppage within a gap of four days.

When the issue was flagged by the trade, the Customs department had replied that there are many system issues. The department is looking into it. In the first instance, it was due to 'suspicion,' said Custom sources without giving details.

"It is the status quo for all cargo from China since Friday evening. However, on Saturday, at air cargo, the Customs released boxes only for large electronics manufacturers such as Dell, Cisco, Samsung and HP located at Oragadam and Sriperumbudur region. No reason was assigned," said a Customs House Agent (CHA) involved in documentation with the Customs on behalf of his clients.

Leather industry in trouble

Sanjay M Lulla, Managing Partner at SM Lulla Industries Worldwide, a Chennai-based exporter of leather garments, said that his consignment from China with zippers, lining and buttons are stuck at the port for the last few days. "They are very important as we cannot stitch the garments without these items," he added.

June and July are critical months for the leather industry as samples for Spring collection in Europe are shipped every year.

Coming to the rescue of leather exporters, the Council for Leather Exports (CLE) has taken up the issue with the Central Board of Indirect Taxes and Customs (CBIC) for release of cargo from China.

R Selvam, Executive Director, CLE, has urged Vimal Kumar Srivastava, Joint Secretary (Customs), CBIC, to permit Customs clear import

consignments of samples, inputs, components and raw materials imported from China to help exporters complete their export orders on time.

The leather industry has already suffered order losses to the tune of $1-billion due to Covid-19. As major markets of Europe and the US (to which 70 per cent of leather exports are directed), have now opened and buyers have placed orders, exporters have to ensure completion of production in time. Else, such export orders will be cancelled leading to huge losses for exporters, said Selvam.

But for some of the companies dependent on Chinese cargo, the lockdown has come as a blessing in disguise. For instance, automobile customers importing from China are not affected due to lockdown as there is no pressure, said a CHA who clears cargo for large auto majors.

Source: thehindubusinessline.com– Jun 28, 2020

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Why is India not competitive in manufacturing cost? Analysis by Mahindra & Mahindra MD

India needs to bring in cost competitiveness and raise scale to grow its manufacturing sector and compete globally, Mahindra & Mahindra (M&M) Managing Director Pawan Goenka said on Friday. The auto industry leader also emphasised on enhancing productivity and also harped upon the importance to have a global value chain to usher in prosperity and economic growth.

While participating in the BNEF summit here, Goenka said the government is now for the first time making serious efforts to see that the manufacturing sector grows in the country. "You cannot grow manufacturing by forcing people to invest because investment can happen only if there is some return coming out of it. Therefore, what India has to do is to reduce manufacturing cost," he said. Unfortunately, India is not competitive in manufacturing cost for a variety of reasons, Goenka said.

Also, there are factors like time to set up a plant and cost of money, he said adding that the industry needs to bring in various factors together to grow manufacturing base, he added. "China was not built in a day, it took decades of focused effort towards a defined goal. China has built a scale, India has

not been able to build a scale. Without scale, the manufacturing sector cannot grow. Therefore, industry and the government will have to work together," Goenka said. India should aim at becoming a producer of products and then export these to other markets, he said.

"There are many opportunities across sectors but it is not something where we can flip a switch and say we are ready we need to do work hard, make a five-year plan… Many companies are leaving China we know very well that few are coming to India. Therefore, we need to make manufacturing competitive in terms of cost and scale," Goenka said.

Make in India or manufacturing growth has been a big priority for Prime Minister Narendra Modi since 2014 but unfortunately, India hasn't made much progress in that," Goenka said. "It is for the first time, thanks to COVID-19, that the government is putting efforts to grow manufacturing sector in India," he added.

Goenka said this whole move towards insourcing is something that he worries about. "If every country wants to get into a cocoon and isolate itself from the rest of the world, we will move 60 years back and that is not something which will bring prosperity and growth to the economy," he said. He admitted that lately, the balance of trade has gone too much in favour of 3-4 countries but that should not push the country towards isolation.

"There are things which a country can do better than others and if we try to bring everything to one country that it is going to become very inefficient," Goenka said. He further said, "If we are producing anything like a cellphone, or a car or a washing machine, we got to have a global value chain and we should not start over reacting to the situation like this and say everything should be insourced."

Source: financialexpress.com– Jun 27, 2020

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Requested Commerce Ministry to allow export of PPE kits: Nitin Gadkari

MSME Minister Nitin Gadkari on Saturday said he has requested the Commerce Ministry to allow export of Personal Protective Equipment (PPE) kits, as the country is producing it in large quantities. Addressing a webinar on the occasion of International MSME Day, Gadkari, who also holds the portfolio of Road Transport and Highways, said about two months ago that India imported PPE kits from China via a special aircraft but now the country's industry and MSMEs were manufacturing lakhs of PPE kits per day.

"Now, already I have requested the commerce ministry" to allow export of PPE Kits from India, the minister said, adding that it was being considered. Stressing that PPE has export potential, he said that people are getting orders for PPE kits from Dubai, Canada, the US and European countries.

Recently, Indian apparel export industry body AEPC had also urged the government to lift the ban on exports of PPE kits as its production has reached 8 lakh units per day. Gadkari also launched the report of the GAME National Task Force for MSMEs, entailing industry wide recommendations to boost the units and entrepreneurial dynamism in India.

Meghalaya Chief Minister Conrad Kongkal Sangma; Uttarakhand Chief Minister Trivendra Singh Rawat, Karnataka Chief Minister B S Yediyurappa and Punjab Minister of Education and Public Works Vijay Inder Singla also spoke on the steps their states were taking to boost the MSME Sector, which contribute about 48 per cent of India's exports and provide employment to 11 crore people.

The recommendations from the report "Improving Economic Dynamism and Accelerating MSME Growth" are likely to help MSMEs 'Survive, Revive, Thrive and Sustain'.

The task force chaired by K P Krishnan, IAS (Retd), Former Secretary, Ministry of Skill Development and Entrepreneurship, and co-chaired by Ravi Venkatesan, Founder GAME and Former Chairman of Microsoft India and Bank of Baroda presented the highlights of the recommendations.

The report covers the central and state governments, private sector and industry associations, and cover short and suggests medium term actions and long term strategies that will create an environment where MSMEs can flourish.

The task force has also made a case for localised and simplified communication of government schemes, access to finance for first time borrowers, an enabling business environment through simplification, digitisation and decriminalisation of compliances, strengthening MSME associations and creating dynamic local entrepreneurial ecosystems.

Source: financialexpress.com– Jun 27, 2020

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Gujarat transfers ₹1,370 cr aid to over 13,000 MSME units

Gujarat chief minister Vijay Rupani yesterday announced an aid of ₹1,369 crore for 13,000 micro, small and medium enterprises (MSMEs) and textile industries, while initiating an online cash aid initiative called 'At One Click' for over 13,000 firms. The state transferred ₹768 crore to bank accounts of 12,247 MSME units and ₹601 crore to bigger industrial units.

Rupani, in a video conference, called on the state's MSME units and industries to take up the challenge of converting the adversity of corona crisis into an opportunity, according to a news agency report.

The state also wants to ensure that its MSMEs get the maximum benefit under the prime minister''s 'Atma Nirbhar Bharat' package, Rupani said, adding that under this package, Gujarat has sanctioned ₹8,200 crore in two weeks by accepting loan applications of 1.3 lakh units and has already disbursed ₹4,175 crore.

Source: fibre2fashion.com– Jun 27, 2020

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India, China block each other's shipments at ports

India's decision to hold back goods exported from China at ports and airports has led to counteraction from the other side, with China and Hong Kong customs holding back export consignments from India. The Federation of Indian Export Organisation (FIEO), which fears a major tit-for-tat measure from China, has written to the commerce ministry about the issue.

In the absence of any official word on the matter, FIEO president Sharad Kumar Saraf has requested the Indian commerce ministry to come out with an official clarification that India has not resorted to any such blanket move to targets goods from China.

Physical examination of items from China at ports in Mumbai and Chennai is resulting in delays in arrival of consignments, adding to overall costs, FIEO said. The move will delay clearance, particularly due to low staffing on account of the ongoing pandemic. In many cases, goods will have to be unpacked in the presence of importers for checking.

Unnamed Indian finance ministry officials told a media outlet that some containers might have been held up based on intelligence inputs and for risk assessment, which is a routine and is not linked to tension at the border with China.

“There is an internal instruction from customs to all custodians of cargo including port terminal, airport and all customs freight stations to hold all consignments which have originated from China,” said a statement from the Chennai Customs Brokers Association.

China’s exports to India stand at 2.8 per cent of its total exports, while India's exports to China are around 5.4 per cent of the total exports.

Source: fibre2fashion.com– Jun 27, 2020

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Covid crisis: India will not be ready for growth unless it addresses MSMEs problems

As I discussed in my last column, the true extent of central government support for the Indian economy in the face of the lockdown is crucial for understanding the economy's prospects. One can complement the big picture perspective by trying to see what is happening on the ground. Small businesses in India are extraordinarily important since the "formal" sector is small. Micro, small and medium enterprises (MSMEs) in India account for a third of GDP and employs over 100 million workers. These numbers are taken from earlier government definitions of MSMEs and do not reflect recent changes in those definitions, but the importance they convey is what matters.

Recently, Udayan Rathore and Shantanu Khanna provided preliminary findings from a survey of MSMEs that aims to understand and quantify the impacts of the lockdown on these firms. In May, they surveyed about 360 such firms, some before and some after the May stimulus package announced by the central government. Most of the firms surveyed were in North India, especially Uttar Pradesh, but industry association leaders were also interviewed for broader perspectives. These latter interviews strongly reinforced earlier findings, that government policies and external events had already been harming MSMEs before the pandemic and lockdown.

In particular, demonetisation disrupted MSMEs' use of off-the-books financing, and that may be beneficial in the long-run, but had severe negative implications for these firms in the short-run. Second, the manner in which the GST was formulated and implemented disrupted the cash flow cycle of MSMEs, since they were required to make estimated payments well before they would typically collect their receivables. Third, the crisis in the non-bank financial sector, which was triggered by large firm malfeasance, led to a severe curtailment of financial access for MSMEs, which anyway have had problems getting formal finance.

These three shocks to MSMEs were symptomatic of overall weakness in economic policymaking and implementation-a long-running failure to understand industrial structure and dynamics in India. Rathore and Khanna's work suggests that the problem is continuing in response to the lockdown. In their sample, the median enterprise had an annual sales of Rs 20 million, had 19 employees and had been in business for 16 years-the majority of the firms sold to businesses, rather than consumers or

government. Without going into too much detail, I would describe the message of the survey to be that MSMEs, especially the smallest, have taken an enormous hit from the lockdown, and not enough has been done to enable them to recover.

Without addressing the problems of MSMEs, India will not be ready for growth. Indeed, the pandemic and lockdown are merely the fourth negative shock that small businesses in India have faced, and the economy's poor performance over recent years has reflected this situation. The survey indicated that many MSMEs are facing insolvency in a short period of time, with worsening consequences for job losses. Because they rely on informal finance or internal funds, most have not been able to tap emergency resources. The majority of the respondents did not see any benefit for them in the mid-May rescue package.

Less than two-fifths of the firms had approached a bank for financing, and of those, less than a third (effectively, 10-12%) succeeded. Meanwhile, savings were getting depleted, and there was increased recourse to expensive informal finance. More than half the firms expected the collection of their receivables to be delayed, even when contracts were not cancelled. Indeed, the failure of large firm and governments to pay smaller suppliers on time has been a long-standing problem. Firms also noted the burden of fixed charges for services such as electricity, which had to be met despite lockdown.

The problems of small business when there are large negative shocks to the economy are not unique to India. The United States has also been facing similar issues. The similarities also extend to the political economy of the two countries. In its response to the pandemic-induced economic crunch, the current US government has favoured large businesses, providing much more support for them than for small, especially local, businesses. Its policies have also favoured shareholders over workers. This is not surprising in the US political context of Republican party control of the executive branch, but it is less clear why this also seems to be the case in India. Indeed, the rhetoric in India is more in favour of the poor and disadvantaged.

Perhaps in the case of India, the driving force is less of a big-business bias and more simply a lack of comprehension among policymakers of what it is like to run a small business in India, beyond the various classifications into MSMEs and their subcategories. These broader observations go beyond the work of Rathore and Khanna, but they do conclude that "Alarmingly, over 70% of the [firms] report that they would not survive for another quarter

while almost a third will not survive beyond a month. ... There is an immediate requirement for the government to engage with the MSME sector and consider their concerns and suggestions. The revival of this sector ...will be critical for the livelihoods of millions and for India's economic recovery."

Source: financialexpress.com– Jun 27, 2020

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Hit by Covid, apparel industry revenue set to fall by this much in FY21

Store closures, social distancing and lack of demand due to the coronavirus pandemic may cause a 30-35% dent to revenues of the organised apparel retail sector in the current financial year, a report revealed on Friday.

Revenue of the Rs 1.7-lakh crore sector is set to plummet by a third, ratings agency Crisil said. According to it, while operating profitability is expected to be impacted by about 200 basis points, the absolute fall in operating profits will be much sharper, necessitating additional funding, mainly debt, by firms to make up for cash flow shortfalls. This will also affect credit metrics.

On the basis of analysis of a sample of 60 Crisil-rated apparel retailers that represent a third of the sector's revenue, it is expected that demand would recover to pre-lockdown levels only during the October-December festive season.

Among the apparel segments, sales of the departmental store format, which form a third of revenues of the sample set, will be hit harder, with around 40% decline in revenue. Half of these departmental stores are mainly located in malls and Tier-1 cities.

Value fashion retailers, which account for two-thirds of revenues of the sample set, will see a lower impact to the tune of 30% as these have higher presence in Tier-II and -III cities. A higher proportion of standalone stores are expected to benefit from this down-trading. Declining income levels is also expected to benefit this segment.

Apparel retailers are, however, likely to see higher contribution from online channels this fiscal, driven by changing buying pattern of consumers amid the pandemic.

Gautam Shahi, director of Crisil Ratings, said, “To increase footfalls, retailers may have to offer discounts while also incurring higher costs to ensure adherence to social distancing. On the other hand, we also expect retailers to convert a portion of fixed lease rentals to variable, in addition to pruning employee costs, and other discretionary spends. Considering these aspects, operating profitability will moderate by up to 200 bps this fiscal, from about 7-8% in fiscal 2020.”

According to Crisil, converting lease rentals from fixed to variable is critical, else the margin impact will be severe. Lease rentals and employee costs typically constitute 20% of the overall revenues of the apparel retailers and a large proportion of these costs is fixed in nature.

Source: financialexpress.com– Jun 27, 2020

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Siyaram launches anti-corona fabric which 'destroys COVID-19 virus in seconds'

Siyaram, one of India's most well-known fashion textile brands, has launched its anti-coronavirus range of fabric. The fabrics, launched to fight against the spread of COVID-19 outbreak, have been tested by World Health Organisation-approved labs.

As per a Hindustan Times report, the new anti-corona fabric provides protection from the virus and is developed in association with HeatlhGuard, an Australia-based company, which has been working in non-invasive healthcare for 25 years.

The new fabric guarantees 99.94 percent effectiveness against coronavirus and has non-leaching properties compared to other metal-based chemistry products, making the treated layer of fabric to not dissolve in water, the company said in a statement. The fabric is also made from natural, sustainable and biodegradable materials.

Ramesh Poddar, CMD of Siyaram Silk Mills Ltd, said 90 percent of a human body is covered with clothes and viruses have the ability to thrive on fabric surfaces for longer hours which increases our exposure to the infection.

"The 'cosmetic-based chemistry' coating utilized in the making of our fabric consists of positive compounds and when it comes in contact with the negative compounds, it disintegrates the outer lipid coating and destroys the virus in a matter of few seconds," Poddar said in a statement.

"We have ensured that fabrics do not compromise on the style quotient. We want our customers to be protected in style and, in the coming days, the anti-corona fabric will not just be a trend, but a necessity. This fabric will allow our customers to embrace life after lockdown with full confidence," added Poddar.

Siyaram Silk Mills, which has its factories in Tarapur, Silvassa and Daman, produces over 80 million meters of fabrics annually with a diverse range of fabrics such as polyester, viscose, polyester cotton, 100 percent cotton, 100 percent wool and 100 percent linen with some of the popular brands such as Siyaram's, J Hampstead, Cadini, Oxemberg, and Casa Moda.

Source: moneycontrol.com– Jun 27, 2020

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Shipping Ministry says it has 'no control or supervision' over freight stations

Clarifies stand as legal challenges mount over lockdown rate waivers

The Shipping Ministry has said it has "no control or supervision" over privately-run container freight stations (CFS) located outside the limits of major port trusts.

It has also stated that the rates for services rendered by the CFSs is a private arrangement between the CFS and its customers, and it was not privy to the terms of the private contract executed by CFS and is also not the regulator of the rates charged by CFSs.

The Ministry's stand was communicated through an affidavit filed by the Additional Solicitor General (ASG) during a hearing in the Delhi High Court

on a petition brought by Polytech Trade Foundation, a body whose members are importers of plastic/polymer raw materials.

The Foundation alleged that its members were not allowed to clear goods from the CFSs without payment of penal charges arising from delays, disregarding a Ministry directive on the issue.

In its petition, Polytech Trade had sought a direction from the court to all CFSs not to charge demurrage, ground rent, container detention charges etc till the lockdown period ended and to permit members of the Foundation to lift/de-stuff their material “on payment of usual valid charges”. To back its claim, it relied on a April 21 direction given by the Shipping Ministry to all major port trusts not to levy penal charges, dwell time charges, detention charges etc on import and export shipments due to a delay in evacuation of cargo during the lockdown period.

Since the main petition would take time for an order, the Foundation had moved an application seeking interim relief from the court through an injunction/restrain order against the CFS operators.

“In view of the above detailed discussions, no grounds for grant of injunction/restrain order in favour of the petitioner and against the respondents are made out at this stage. The application filed by petitioner under Section 151 CPC for injunction is, therefore, dismissed,” a single judge Bench of Justice Brijesh Sethi wrote in a May 22 order.

Government’s stand

The ASG, in his submission in the Polytech Trade Foundation petition, made a pertinent point, clarifying the government’s stand on the issue. “The tariff of various services provided by CFSs/inland container depots (ICDs) is a private arrangement between the CFSs/ICDs and their customers unless the CFS/ICD is actually located on land that may have been leased or granted on concession basis by a major port onto a CFS/ICD operator,” the ASG submitted.

Only two CFSs are operating on land owned by the major port trusts — one in Jawaharlal Nehru Port Trust and the other in Deendayal Port Trust — and hence are under the control of the Ministry with regard to fixation of tariff. No ICDs are located within the limits of major port trusts.

Therefore, the assertion of the Foundation that the April 21 Shipping Ministry direction would apply to all CFSs or ICDs is "entirely misconceived and misplaced", as it is applicable only to major port trusts by virtue of powers under Section 111 of the Major Port Trusts Act, 1963, administered by the Ministry of Shipping.

None of the major ports have any ability to influence or be privy to the tariffs/ charges levied by the CFS and ICD operators upon their respective customers/clients/users, except those which are situated within the port limits of major ports trusts, the ASG submitted. He further said that the Ministry "cannot intervene or govern the private arrangements between CFS or and their customers such as the petitioner" nor does it have "any control or supervision over activities or cost structure of CFS".

Similar cases filed by affected parties in the Mumbai and Gujarat High courts have not resulted in an interim relief so far. All eyes are now on a petition brought by the Material Recycling Association of India (MRAI) in the Supreme Court on the same issue.

Source: thehindubusinessline.com– Jun 26, 2020

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CPSUs are covered under 'govt agencies': Finance Ministry

The finance ministry has clarified that Central Public Sector Undertakings (CPSUs) were also covered under the term 'government agencies', in an earlier order regarding government contracts, it said on Friday.

The previous directives, issued on May 13, permitted disruptions caused by the pandemic and the lockdown as a reason for contractors to invoke the force majeure clause (FMC) in government contracts.

A separate order also directed all ministries, departments and government agencies to pay back the performance security to contractors on the basis of the proportion of work completed or supplies delivered.

The FMC clause may be invoked by a government contractor who is unable to fulfil contractual obligations due to supply chain disruptions caused by the pandemic or restrictions on transport or other issues resulting from the government-mandated lockdown measures.

On the issue of performance security, as part of its procurement guidelines, government agencies are required to keep 5-10% of the agreed amount in a contract as performance security for up to 60 days after the project is completed.

The ministry directed the release of this amount on a pro rata basis to work completed in order to address cash flow issues of otherwise well-functioning contractors.

Source: economictimes.com– Jun 26, 2020

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Textile industry faces labour crunch: Migrants happy with MNREGA work in UP as Surat units struggle

On May 20, Dharmendra Bagda, 32, took a Shramik Special train from Surat and returned home to Pithora in Fatehpur district of Uttar Pradesh. For 18 years, Bagda worked as a loop operator in a textile dyeing and printing factory at Sachin GIDC, earning Rs 390 per day working for 12 hours every day, including in night shifts, till there was no work and wages in March and April.

Four of them staying in a 10×10 feet quarter had to share Rs 3,000 room rent. Back home with his wife and 5-year-old daughter, he enrolled as an MNREGA worker and earns Rs 350 for a six-hour shift daily, digging ponds and roads. Rest of the time he helps his father in farming their three-bigha land.

Bagda has "dark memories" of lockdown and is in no mood to return. "I would save Rs 2,500 – Rs 3,000 every month from my salary of Rs 15,000 – Rs 18,000 (including overtime wages) and take home new clothes and gifts for my family during the annual visit, usually Diwali.

The lockdown was all about standing in queue for food, that too, typical Gujarati cuisine... The mill shut down on March 23, and for two months, I was locked indoors, missing my family and counting the days... Finally our labour contractor arranged railway tickets for us to get back home in UP," says Bagda.

He says he never missed his family as much as he did during the lockdown. “Now I am happy staying at home, having enrolled for MGNREGA work and earning good money. I will stay here till the MNREGA work gets over and then return to Surat,” he adds.

Nirbhay Raj, 35, of Banda district in UP, employed in a dyeing and printing unit in Pandesara, also returned home to be with his wife and two children. Like Bagda, he had no wages in March and April.

“During the lockdown, we had to survive with what we had. Shops were closed and we were almost starving… In the labour colonies, we shared food till an NGO started serving us food. Now I started working in an agricultural field in our village, earning Rs 200 per day. My father owns some land, which he tills. In July, I will get better work in the farms and will return to Surat only in August,” says Raj.

Home to nearly 16 lakh migrant workers from Bihar, Odisha, Uttar Pradesh, Rajasthan, Madhya Pradesh, Jharkhand, and Uttarakhand, employed in its textile mills, Surat saw nearly six incidents of violence in its labour colonies, by workers demanding to return home, walking home in protest, confronting police. Some of them rode bicycles to their homes in UP.

Now textile industry leaders in Surat are trying to get the workers back to operate their units. Sources say that only 30 per cent of the migrants, mostly who had families here, stayed back and started work. Nearly 6.8 lakh migrants returned by 440 trains from Surat alone, which was the highest from a single destination in Gujarat.

Kamran Usmani, 60, from Azamgarh in UP and settled in Surat, holds the contract of supplying labourers to five dyeing and printing mills in Sachin and Pandesara. He is now camping in UP travelling from district to district trying to convince his workforce to return. Over the past 15 days, he visited Banda, Hamirpur, Chtirapur, Kanpur, and Fatehpur among others.

“I have been supplying labour to the industries for 30 years. I own 95 rooms that are given on rent to such labourers but now all the rooms are empty. The labourers are refusing to return… We told them that their wages will be increased and that their journey back to Surat would be free. Some of them are convinced and are ready to start back by July 1. I have arranged for private luxury buses and hope that over 500 workers will return,” says Usmani.

He says he stood with them during the lockdown and supplied them rations. “I sent around 5,000 labourers to UP by Shramik Special trains. No labourer stood in line to get ticket, I arranged it all for them using my contacts,” he says.

Ashok Shrivastav, who has a labour contract in five dyeing and printing units in Sachin and Pandesara GIDC in Surat, has been in UP since June 15, trying to bring the labourers back to Surat. “Now with the textile factories reopening, we are facing immense pressure from factory owners to bring the labourers back to Surat. I visited Amethi, Sonbhadra, Mirzapur, Prayagraj, and other districts trying to talk to labourers to return, but they refused. They say they suffered a lot during the lockdown as the factory owners did not provide them food or wages,” says Shrivastav.

A few labourers whom he had helped out have agreed to return after assurance to their parents and family members that he would take full care of them. “We have booked one private luxury bus, and it will leave from UP in the first week of July. We are also going to other districts to bring back migrant workers to Surat,” he adds.

Surat has 360 dyeing and printing mills, six lakh powerloom machines, and 65,000 textile trading shops. On June 23, the South Gujarat Chamber of Commerce and Industry (SGCCI) president Ketan Desai, vice-president Dinesh Navadia and members of different textile associations met Surat Municipal Commissioner BN Pani, to work out ways to reopen the industry.

South Gujarat Textile Processing Association president Jitu Vakharia said, “Only 20 per cent of dyeing mills started with only one shift. There are no labourers here in Surat, we have requested labour contractors to bring them back.”

He says the association has written to Chief minister Vijay Rupani and Union Railway minister Piyush Goyal, requesting free train services to bring the labourers back. “If the labourers are not brought back, the industry will become paralysed,” says Vakharia.

On June 25, Sachin Industrial Association called a meeting with Assistant Labour Commissioner JL Patel, at Sachin GIDC, in which members of the Weavers’ Association, Chemical Company Association and Dyeing and Printing Association were present. Only 15 per cent of the units are functional here.

According to SIA president Mahendra Ramolia, the association requested the labour department to bring back the workers. "We have requested state government to talk to the Central government and make some arrangements to start Shramik Special trains from UP and Bihar to Surat. We have sent a five-member team to UP to talk to labourers and convince them to return," he said and added, "With rise in the numbers of Covid-19 cases in Surat, the labourers are also scared to return."

Source: indianexpress.com– Jun 29, 2020

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