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NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	UK manufacturing export index falls to all-time low in Q2
2	USA: Graham seeks to bring all PPE manufacturing to the U.S. from China
3	Egypt's Sisi inaugurates new textile industrial complex in Sharqiya governorate
4	Italy's ready-to-wear sales decline by 33%
5	Morocco Imposes Higher Import Tax on Turkish Textile Products
6	Better quality, transparency to boost Vietnam's apparel & textile exports post-EVFTA

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	NATIONAL NEWS
1	Import curbs on items targeting China may shield FTA partners
2	Cotton Association of India increases crop estimates for 2019-20 season
3	Capping of MEIS outlay: Higher tax content to thwart export recovery
4	Indian Textile & Apparel Industry During Pandemic
5	The HT Bt mess needs to be cleaned up swiftly
6	Digging deeper: On GST compensation
7	Why MSME package won't make small businesses atma nirbhar
8	What's Happening in India's Cotton and Textile Sectors?
9	Apparel sees weaker consumer spending sentiment in India
10	Indian e-commerce has potential to create 1 million jobs by 2023 alone: Report
11	Welspun to invest Rs. 400 crore to start facility for advanced textiles
12	With 80% idle capacities, non-woven mask makers seek export permission
13	TN quarantine rules for migrant workers unviable, say employers

INTERNATIONAL NEWS

UK manufacturing export index falls to all-time low in Q2

UK manufacturing exports fell sharply in the second quarter of this year, according to the Lloyds Bank International Trade Index, which showed the speed of decline was the fastest since data collection began in 1996, driven by the impact of the novel coronavirus on both international supply chains and falling overseas demand for British goods and services.

The index hit a new low of 34.6 for new manufacturing exports between April and June 2020, representing a dramatic decline from 46.8 in the first quarter of this year.

The previous historic low of 38.8 was recorded in 2009 amid the global financial crisis. A reading below 50 signals a reduction in new export orders, while a reading above 50 indicates growth.

Of those manufacturers that reported a downturn in overseas orders, the vast majority (93 per cent) attributed it to the impact of coronavirus, blaming the pandemic for shrinking demand, widespread business closures, and delays to export projects.

In June, UK clothing and textiles (50.7) and other manufacturing (56.7) goods (which includes sports and leisure equipment), furniture, and luxury items such as jewellery manufacturing exports grew.

Basic metals (28.3) and automotive (31.5) exports were hit hardest, reflecting a fall in global demand for manufacturing components and the shutdown of car production in Europe.

Exports of chemicals and plastics (41.1), including pharmaceuticals and healthcare products, fell at a slower rate than other manufacturing goods. This was in part due to forward purchasing by overseas buyers in expectation of delivery delays.

The end of the second quarter of 2020 saw early signs of international demand returning with June showing an increase in appetite for British consumer goods.

Sharp economic contraction in the majority of UK export markets, including the European Union and North America was also recorded, driving a trade-weighted measure of global demand for British goods and services to a record low of 35.2 in the second quarter, according to a press release from the company.

China, after posting a reading of 42 in the first quarter, was the only UK export market to see an increase in the second quarter (52.6), as the country's lockdown measures eased.

Source: fibre2fashion.com – Jul 28, 2020

HOME

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USA: Graham seeks to bring all PPE manufacturing to the U.S. from China

U.S. Sen. Lindsey Graham of South Carolina used a Gaffney textile plant as the backdrop Monday to announce legislation aimed at bringing back to the U.S. from China the manufacture of personal protective equipment in the fight against COVID-19.

"Ninety percent of our personal protective equipment that our doctors and nurses and healthcare workers use to keep us safe is made in China," Graham said during a tour of the Parkdale Mills textile plant in Gaffney.

Parkdale Mills is partnering with other companies to produce millions of reusable, machine-washable soft cotton face masks.

"We've become captive to China. The entire world has," Graham said. "The road to bringing back medical supplies to the United States when it comes to personal protective equipment runs through the state of South Carolina."

Graham said he introduced his bill, called U.S. Made Act of 2020, with two other Republican senators, Shelley Moore Capito of West Virginia and Mike Rounds of South Dakota.

The bill offers tax credits to companies for equipment costs associated with PPE manufacturing.

It is modeled after the Berry Amendment that requires military uniforms be American-made. All PPE would be required to be American-made within five years, he said.

Items declared national priorities under the Act include testing swabs, surgical and respirator masks, face shields, surgical and isolation gowns, sanitizing and disinfecting wipes, gauze and bandages, privacy curtains, beds and bedding.

"To the textile manufacturing industry, it means new jobs, a new market," Graham said. "To the public, it means no longer being dependent on China. To hospitals, doctors and nurses, you'll have a supply chain IN the United States hands so we don't have to beg China or other places in the world for the equipment we need so we can safely fight this virus."

Graham said he wants the U.S. MADE Act to be included in the Phase 4 Coronavirus relief package that could be approved by Congress as early as next week.

Source: jdnews.com– Jul 28, 2020

HOME

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Egypt's Sisi inaugurates new textile industrial complex in Sharqiya governorate

Egypt's President Abdel-Fattah El-Sisi inaugurated on Tuesday the first stage of a new industrial complex built by the Egyptian National Company for Industrial Development in Sharqiya governorate's 10th of Ramadan City.

According to a statement by the Egyptian presidency, El-Sisi inaugurated a cotton textile complex comprised of six factories in Robeiki industrial city.

The inauguration event was attended by Parliament Speaker Ali Abdel-Aal and Prime Minister Mostafa Madbouly.

The Egyptian National Company for Industrial Development is part of the Egyptian Armed Forces' National Public Service Projects Organisation.

The new complex aims at exploiting the full value of Egyptian cotton and to avoid exporting it in raw form.

According to the CEO of the Egyptian National Company for Industrial Development Lt. General Kamel Helal, the complex was built in nearly 30 months over 429 feddans.

“The project will provide in its first stage 1,350 direct job opportunities and 12,000 indirect job opportunities,” Helal told reporters earlier on Tuesday before the inauguration.

He also added that Egypt was going to have a “big and important revival” in the textile and weaving industry in the upcoming period, and that the project is part of the Egyptian administration’s plan to revive the Egyptian cotton industry.

As part of the inauguration ceremony, the president watched a short film titled "The Threads of Hope." The film documents the story of the building of the industrial complex in Robeiki, which is considered the first smart industrial city in the country.

Lt. General Ihab El-Far, the head of the Armed Forces Engineering Authority, explained that 26 Egyptian companies and three consulting firms participated in the construction of Robeiki complex.

He added that 44,000 workers and 1100 engineers and technicians built the complex. He also explained that work on 13 industrial complexes across the nation has been completed with work on three more underway.

El-Sisi said that the government has embarked on the execution of an ambitious plan to develop the country's textile industry, which involves replacement of factories over two years.

During the event, President El-Sisi revealed that EGP 1.1 trillion have been allocated for transportation projects in Egypt till 2024.

Source: ahram.org.eg– Jul 28, 2020

HOME

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Italy's ready-to-wear sales decline by 33%

According to research conducted by Confimprese, an association representing Italian retailers, in collaboration with consulting firm EY, ready-to-wear sales across the country declined by 33 percent compared to the same period last here. In total, during the first half of the year, they decreased 45 percent compared to the same period in 2019.

In June, the retail performances in Italy's primary trade areas saw a double-digit decrease compared to the same period last year. For example, sales on Milan s central Corso Buenos Aires were down 40 percent last month, compared to June 2019.

Last month, the most affected segment was travel retail, which decreased by 72 percent compared to the same period last year. The business of malls, outlets and high-street stores located in big and small Italian cities decreased 30 and 20 percent, respectively.

On a positive note, during the lockdown, from April to June, online sales in Italy surged 135 percent compared to the same period last year and in June, even if physical stores reopened, they grew 54 percent compared to the same month in 2019.

Source: fashionatingworld.com– Jul 28, 2020

HOME

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Morocco Imposes Higher Import Tax on Turkish Textile Products

Morocco's imports of Turkish textile and clothing products are set to undergo an import tax of 36% instead of 27%.

The new measure, aiming to support the domestic textile industry, went official on Monday, July 27. The tax was part of the amended 2020 Finance Bill, approved by the Moroccan government and Parliament earlier this month.

Morocco's Administration of Customs and Indirect Taxes, affiliated to the Ministry of Economy, announced the new tax rate in a statement on Monday.

Morocco's decision to increase the import tax aims to promote local production, especially during the COVID-19 pandemic. The protectionist measure also hopes to limit imports of textile products, which have strongly competed with domestic products.

Morocco and Turkey signed a Free Trade Agreement in 2004. The agreement took effect two years later, in 2006.

Since then, Morocco's trade balance with Turkey has been largely in deficit. Minister of Industry Moulay Hafid Elalamy revealed that Morocco loses $2 billion annually in its trade deal with Turkey.

The Turkish textile industry also caused Morocco a loss of around 44,000 jobs in 2017 alone, Elalamy revealed.

At the start of 2020, Rabat and Ankara went into negotiations to review their Free Trade Agreement.

"Morocco and Turkey will review the Free Trade Agreement. [Turkey] will work to bring industrial investors and [investors from] other sectors to Morocco," Elalamy told the press following a high-level meeting with Turkish officials.

The countries, however, suspended the negotiations due to the COVID-19 pandemic.

While Morocco's new protectionist import tax is expected to support the domestic textile industry, it remains to be seen how Turkey will react to it.

Some of the Turkish companies that the new tax rate will directly affect include clothing brands LC Waikiki, Koton, and DeFacto, as well as retail company Bim.

Source: moroccoworldnews.com– Jul 28, 2020

HOME

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Better quality, transparency to boost Vietnam's apparel & textile exports post-EVFTA

Despite Europe being a huge market, Vietnam's textile and apparel exports to the continent is worth merely $8 billion. The country exported over $2 billion worth garments and textiles to Europe in past six months while exports to the continent in the past year exceeded $8 billion. Currently, European Union is the third-largest importer of garments and textiles from Vietnam after the US and Japan.

High tariffs weakening Vietnam's competitive edge

One reason for modest exports is the high tariffs on textile and apparel imports from Vietnam which have weakened the country's competitive edge in the global textile and garment industry. To regain lost share, domestic enterprises are manufacturing branded products and those that require higher skills. However, COVID-19 has changed consumption patterns in the country with the textile market witnessing demand for products of low or average value.

Meeting export standards

To boost its textile exports, Vietnamese National Assembly recently ratified the Vietnam-EU Free Trade Agreement (EVFTA) that will become effective on August 1. The new agreement states, Vietnam's key exports to the EU, garment and textiles, will no longer be taxed at 77.3 per cent of export turnover for five years while its import tariffs on remaining 22.7 per cent exports will also be eliminated after seven years.

The agreement provides Vietnamese textile and apparel enterprises an opportunity to import high-quality machinery and access raw materials under the European standards.

To explore the benefits of this new agreement, Vietnamese textile and garment enterprises are investing in upgrading infrastructure in factories to meet the technical standards of importers. Tran Nhu Tung, Member-Board of Directors, Thanh Cong Textile Garment Investment Trading Joint Stock Company (TCM), expects the reformed agreement to fuel the company's exports to the EU by 50 per cent.

Similarly, EVFTA has enabled Viet Thang Jean Company to sign long-term procurement agreements with its raw materials partners in South Korea and Turkey.

Focus turns to local materials

However, only a few enterprises have been able to exploit the benefits of this agreement as the Vietnamese garment and textile industry still largely depends on raw materials and supplies imported from China.

To overcome this, the non-processing enterprises in the country need to either produce fabric locally or buy domestic raw materials. They can also import raw materials from countries with bilateral trade agreements with the EU such as South Korea and Turkey.

Another hindrance is the size of these companies. Many of these enterprises are small and medium-sized with limited resources and sub-standard production processes. Their investments in research and development of products are also inadequate and do not exploit the intellectual property assets and trademarks effectively.

Hence, Vietnamese companies need to focus on meeting the standards and the management process prescribed by the EU, adhere to social responsibility rules and adopt transparency in labor and production management.

Source: fashionatingworld.com– Jul 28, 2020

HOME

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NATIONAL NEWS

Import curbs on items targeting China may shield FTA partners

Commerce Ministry wants to avoid shortages by picking products wherein domestic capacities, other alternatives exist

India is working to ensure that the next round of import tariff hikes targeting China includes items that are covered under free trade agreements with other trade partners, in order to insulate them, and for which domestic capacities and alternatives exist to avoid shortages.

"The Commerce and Industry Ministry has received inputs from various industry bodies and council's proposing items where import duties can be increased. The suggestions are being vettted for their appropriateness and a final list is being drafted," an official told BusinessLine.

The Centre is trying to come up with tariff and non-tariff measures on goods mostly imported from China in order to bridge its high bilateral trade deficit with the country valued at $48.66 billion in 2019-20. India also wants to punish its neighbour for inciting violence at the India-China border in the Galwan valley and is taking steps to bring down its economic engagement with its neighbour.

Suggestions have been given by industry bodies such as CII, FICCI, Assocham, various export councils and those representing the small industry on imports which could be contained. “All sectors view the matter from their own perspective, so the government has ended up with numerous suggestions which have to be weighed,” the official said.

‘Focus on final products’

The Commerce Ministry is now trying to identify items where an increase in duties will not hurt the domestic industry.

“To ensure that an increase in import duties for a particular item doesn’t hurt the economy, it is important to have enough domestic capacities for its production, or alternatives to those items should exist in the local market,” the official said.

Another important factor that the government is taking into consideration while short-listing is the effect of the proposed duty hikes on countries other than China. “Officials are looking at items that are protected from tariff increases under the free trade agreements India has signed with its various trade partners such as Japan, South Korea, Singapore and ASEAN. If tariffs are raised on such items, imports from these countries won’t be affected,” the official said.

Some items, including consumer goods, that are being considered for the next round of tariff and non-tariff barriers include chemicals, telecom equipment, leather goods, steel items, gems and jewellery, furniture, hardware and textiles.

“Many suggestions have come from the industry proposing that the tariff increase should be on final products and not intermediaries that could hurt the user industry,” the official said.

The Finance Ministry had raised import duties on 111 products in the Union Budget announced earlier this year, out of a list of 300 items prepared by the Commerce Ministry.

Source: thehindubusinessline.com– Jul 28, 2020

HOME

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Cotton Association of India increases crop estimates for 2019-20 season

The Cotton Association of India (CAI) has increased crop estimates for the season of 2019-20, which began October 1, 2019. The estimates have been increased to 335.50 lakh bales of 170 kg each compared to its previous estimate of 330 lakh bales made during the last month.

The production estimate for the North zone has been increased by 1 lakh bales (i.e. 50,000 bales each for the States of Haryana and Lower Rajasthan) while the production estimate for the Central zone has been increased by 4 lakh bales (i.e. 3.50 lakh bales for the State of Maharashtra and 50,000 for the State of Madhya Pradesh). The production estimate for the South zone has also been increased by 50,000 bales (i.e. 25,000 bales each for Andhra Pradesh and Karnataka compared to the crop estimates for these states made during the last month.

The cotton crop finalized by the CAI for the last year i.e. for the crop year 2018-19 was 312 lakh bales of 170 kgs. each. The Crop Committee of the Association has estimated total cotton supply till end of the cotton season i.e. upto September 30, 2020 at 382.50 lakh bales of 170 Kgs. each which consists of the opening stock of 32 lakh bales at the beginning of the cotton season on October 1, 2019, crop for the season estimated at 335.50 lakh bales and imports estimated by the CAI at 15.00 lakh bales. The imports are estimated to be lower by 17 lakh bales compared to the previous year's estimate of 32 lakh bales.

According to the association, the domestic consumption for the entire crop year i.e. upto September 30, 2020 has been estimated at 280 lakh bales i.e. at the same level as estimated in the last month. The consumption for the crop year 2019-20 was earlier estimated by the CAI at 331 lakh bales but the same was later reduced by 51 lakh bales due to the lower consumption of cotton on account of disruptions caused by the COVID-19 pandemic in the country.

The CAI has retained its export estimate for the season at the same level as estimated in the previous month i.e. at 47 lakh bales against 42 lakh bales estimated earlier.

The increase of 5 lakh bales in the export estimate than estimated in the previous year was made looking to the favourable conditions existing for exports of cotton from India. The carryover stock estimated at the end of the season is 55.50 lakh bales.

The estimate of the cotton imports into India has been maintained by the CAI at the same level as estimated in the previous month i.e. at 15 lakh bales. This import estimate is lower by 17 lakh bales compared to that estimated for the last year.

The Indian cotton arrivals during the months of October 2019 to June 2020 are estimated at 327.02 lakh bales of 170 kgs each which are equivalent to 347.46 lakh running bales of 160 kgs each. The closing stock as on September 30, 2020 is estimated by the committee at 55.50 lakh bales of 170 kgs each which is equivalent to about 59 lakh running bales of 160 kgs each.

Source: financialexpress.com– Jul 29, 2020

HOME

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Capping of MEIS outlay: Higher tax content to thwart export recovery

If India's foreign trade in goods and services have in recent quarters been a continuous drag on the gross domestic product (GDP), the pull-down effect could be far stronger in the current fiscal. By capping the outlay for the Merchandise Exports from India Scheme (MEIS) at Rs 9,000 crore for the April-December period, the revenue department has deprived exporters of over two-thirds of the duty remission benefits they are entitled to.

The move could also have wider implications for exporters of assorted goods as the denial of the benefit will suffice to blunt the already-narrow edge they enjoy in key markets over competitors, trade source say.

Fearing a shortage of funds following the revenue department's decision, the commerce ministry has, for the time being, blocked the online module for claiming MEIS benefits since July 23.

Federation of Indian Export Organisations (FIEO) president Sharad Kumar Saraf cautioned that many liquidity-starved exporters, especially MSMEs, could go out of business. "Cash flow is badly hit and export recovery is in jeopardy now," he said.

Merchandise exports have been contracting since March. They witnessed a record 60% crash, year-on-year, in April, although the contraction narrowed to 37% in May and 12% in June, as lockdown curbs were lifted last month. However, the latest decision of the revenue department may dash hopes for a steady recovery anytime soon, exporters warn.

Industry sources said the government's FY21 budgetary allocation for benefits under the MEIS (or a new scheme that is now expected to replace the MEIS from January 2021) was about Rs 27,000-30,000 crore, although there is no official word on it. In FY19, the MEIS outgo was to the tune of Rs 40,000 crore, according to an official source.

Exporters typically firm up deals after factoring in the MEIS scrips, which range from 2% to 5% of the export turnover, depending on the products or shipment destinations. Any abrupt or premature withdrawal of or reduction in benefits by the government will, therefore, erode exporters' margins proportionately, at a time when they are already bruised by a Covid-induced cancellation of orders, said Mahesh Desai, chairman of the engineering

exporters' body EEPC India. "The decision will also stoke further uncertainties on the export front," he added.

Hard-pressed for resources following the Covid-19 outbreak, the revenue department has asked its commerce counterpart to review the MEIS rates and coverage so that the allocation doesn't exceed Rs 9,000 crore.

In a letter to finance minister Nirmala Sitharaman on July 21, commerce and industry minister Piyush Goyal sought a review of the revenue department's decision.

Of course, the MEIS rates have been reduced for several commodities since FY19. Also, given the export contraction so far, the outgo was expected to drop in FY21. Nevertheless, the magnitude of MEIS fund reduction surprised exporters. In fact, with two of the key markets – the US and the EU – battered by the pandemic, exporters were hoping for a some kind of succour to beat the pandemic blues.

Merchandise exports have been contracting since March. They witnessed a record 60% crash, year on year, in April, although the contraction narrowed to 37% in May and 12% in June, as lockdown curbs were lifted last month. However, the latest decision of the revenue department may dash hopes for a steady recovery anytime soon, exporters warn.

The MEIS would remain valid until December this year and is to be replaced with a more WTO-compatible scheme, RoDTEP, which reimburses all levies (that are not subsumed by GST) paid on inputs consumed in exports.

As reported by FE, in an office memorandum on Monday, deputy director general of foreign trade Praveen Kumar told Nitish Kumar Sinha, joint secretary at the revenue department, that MEIS scrips worth Rs 422.4 crore have already been issued to exporters for shipping bills with the so-called "let export order" (LEO) since April 1.

"Since allocated funds at this stage for MEIS for FY2020-21 (up to December) stand at Rs 9,000 crore and any additional allocation has not been conveyed by the DoR (department of revenue), the online MEIS module has been blocked on July 23, from accepting new application for shipping bills with LEO dated April 1 onwards to limit the issuance of any more scrips."

"DoR/CBIC (Central Board of Indirect Taxes and Customs) may take steps in such a situation and ask customs ports/field formations to stop registration of MEIS scrips with shipping bills with LEO date of April 1 and beyond," the deputy DGFT said in the memorandum.

Even before the pandemic started to spread its tentacles far and wide and forced a nation-wide lockdwon from March 25, India's merchandise exports had contracted by just over 1%, year on year, until February last fiscal. With a 35% fall in March, the contraction widened to 5% in FY20.

Source: financialexpress.com– Jul 29, 2020

HOME

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Indian Textile & Apparel Industry During Pandemic

Challenges facing the Indian textile and apparel sector as the country braces up to face the impact of the COVID-19 pandemic

The textile and apparel sector has become the most severely affected among manufacturing sectors due to the novel coronavirus pandemic, which has challenged the world on every front be it economy, health care, politics, planning or social values at large. It is something unprecedented in mankind's history. It is the worst nightmare of policymakers, who on one hand are trying to slow its spread, and on the other, busy in efforts to make it less deadly in terms of its social and economic impact.

When the pandemic struck, the world was totally unprepared to deal with a contingency of such magnitude and was caught napping. To slow the spread of the virus, lockdown seemed to be the only viable option. India also announced a nationwide lockdown in late March. As per the average stringency index prepared by the Oxford COVID-19 Government Response Tracker (OxCGRT), India ranked third only after France and Peru.

The brunt of this lockdown was born by migrant workers, who in no time saw their dreams and livelihood shattered as factories stood idle. With no work in hand, migrant workers started moving back to their native places and the country witnessed a mass exodus of workers from cities and industrial hubs unseen in post-partition era.

The sector severely hit by the pandemic-induced lockdown is the textile and apparel. It contributes 13 per cent to India's total exports, 7 per cent to the industrial output in value terms, 2 per cent to India's gross domestic product (GDP), 15 per cent to export earnings and offers employment to around 60 million directly or indirectly.

The industry was estimated to be worth $100 billion in January 2020 and includes a wide range of players, including manufacturers, retailers, wholesalers and exporters of cotton textiles, handloom and woollen textiles. It also includes those engaged in the manufacturing of capital goods, such as textile machinery and equipment, dyes and raw materials, finished textiles, fabrics and garments. Exports in the sector from India were projected to reach $82 billion in fiscal 2020-2021 from $39 billion in the last fiscal.

The pandemic has not only affected the demand for textile and apparel but also its supply. India is one of the major textiles and apparel exporters (around 60 per cent of the country's exports) to the United States and the European Union (EU) and these markets are hit hard by the virus. Buyers from these markets have either cancelled orders or put them on hold because consumers are locked inside, shopping malls are closed and access to online marketing is restricted.

A report by Wazir Advisors titled Impact of COVID-19 Scenario on European and US Apparel Market estimated that combined US and EU apparel consumption might fall by about $308 billion, around 45 per cent lower than projected in 2020.

The spread of the virus has majorly impacted the textile industry as China, the United States and the EU are huge markets for Indian textile products, according to T Rajkumar, chairman of the Confederation of Indian Textile Industry (CITI). The cascading effect of external demand shock along with domestic demand slack resulted in lower production. Many firms were shut down and production fell drastically.

Retail prices now will see a jump because sanitisation and social distancing measures are going to add to the costs. This will make deficient demand a perennial phenomenon for the industry. The virus has shattered the supply chain at each level.

Most of employment in the textile and clothing industry is in the informal sector, which generally pays much lesser wages than the formal sector. While the pandemic has affected both formal and informal sectors, the impact will be more disastrous for workers in the latter. This sector is characterised by the lack of social security provisions, paid leaves, healthcare provisions and other safety measures, and therefore, workers are more vulnerable. In the formal sector, the rise in contractual workforce, a post-liberalisation phenomenon, has helped employers in retrenching workers with ease during the pandemic. This has led to a mass exodus of workers from cities back to their villages.

The Clothing Manufacturers Association of India (CMAI) had projected in April that there could be a job loss of a crore in the textile sector due to the lockdown. The losses in the textile industry in Punjab has been reportedly pegged at around ?2,000 crore so far.

Structural changes resulting from pandemic

The virus has shown us that the global supply chain is highly fragile and fundamentally susceptible to disruptions. The weaker links in the supply chain can pose a great threat to the entire ecosystem on which the textile business sustains itself. The industry across its supply chain needs reorientation and restructuring towards a more sustainable and resistant web.

A Forbes article argued that prior to the pandemic, all talk related to fast fashion focused on sustainability and companies were rethinking their business models for 2030 and beyond. But the pandemic has reduced that timeline, it said. Robert Antoshak, a textile consultant, in his blog argues: "The pre-virus apparel industry was not sustainable. It was only a matter of time before the ailments in the sector caused the industry to either falter or, worse, collapse. It doesn't matter: COVID-19 has elected the latter."

The virus will end sooner or later. The post-pandemic world will altogether be different. Most industries will see a sharp rise in demand, but it will not be so for the textile industry. Its nature and the customer-product relationship are such that it makes it more susceptible to a post-pandemic recession. Global consulting firm McKinsey feels once the dust settles on the immediate crisis, the fashion industry will face a recessionary market and industrial landscape will undergo a rapid structural transformation. It further argues that the industry will see a period of recovery characterised by a lull in spending and slack in demand across channels.

Click here for more details

Source: fibre2fashion.com– Jul 27, 2020

HOME

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The HT Bt mess needs to be cleaned up swiftly

The size of the cotton seed industry is Rs 2,500-3,000 crore, and not Rs 25,000 crore. as claimed in the article. Of this, about Rs 400 crore worth illegal seeds have displaced the business of good cotton seed companies. The government lost tax revenue.

Farmers do not get quality seed and after-sales service. Good cotton seed companies, the government and the GEAC have all been concerned about the proliferation of illegal HT Bt cotton.

The Field Inspection and Scientific Evaluation Committee (FISEC) formed by the Prime Minister's Office to investigate this conducted a detailed enquiry and tested numerous hybrids of HT Bt Cotton being sold illegally. The FISEC submitted its report to the PMO in 2018 and it blew the lid off a thriving illegal cotton business.

The FISEC panel collected over 13,000 leaf and seed samples and found prevalence of unapproved HT cotton in over 15 per cent of the acreage in the key cotton-growing States of Andhra Pradesh, Telangana, Maharashtra and Gujarat.

The FISEC is reported to have said that hybrids developed by the seed company Mahyco, which were in regulatory approval, were not found in any field samples "indicating there has been no deliberate release" by the company into the market.

The report also added that "the 14 illegal hybrids collected from the fields could be grouped into two major genetic groups, indicating very narrow genetic base reflecting organized illegal breeding activity by a couple of companies".

Big operators at work

An estimated 50-60 lakh packets of illegal HT Bt Cotton are being supplied to farmers by unscrupulous elements. This would require at least 20,000

acres of cotton seed production area, not something that can be organised by small seed companies.

In 2018, the State governments of Maharashtra, Andhra Pradesh and Telangana conducted raids at facilities owned by some leading cotton seed companies and recovered significant quantities of illegal unapproved HT cotton seeds. Cases were filed against these companies.

It is not difficult for illegal operators to access the HT gene. It could have been brought easily from outside the country by smuggling a few seeds clandestinely. There is, therefore, no doubt that some "influential" seed companies illegally obtained the technology through unscrupulous methods. These companies have ensured that the unapproved seeds percolated into the market and needy farmers bought and cultivated the same, putting themselves under tremendous risk.

Same old tricks

The article mentioned above makes the fallacious argument that the seeds of 'respectable' companies were contaminated due to the presence of the trait in the production fields. This is an old trick that is being practised once again by some seed companies: introduce the seeds with the latest technologies in a discreet manner and then claim that the unapproved event found its way into their seeds due to contamination through wind or other similar means. In the past, such claims were trashed by the regulator as well.

It is the legal responsibility of each company to test their seed for adventitious presence of unapproved GM traits. They cannot make any excuse for not ensuring that there is no unapproved GM trait in their seed. If companies continue to circumvent the regulatory process and show scant respect for the law, technology flow into the country may stop.

The government needs to crack down without any sympathy on some of these companies that have time and again taken the lead in spreading illegal seeds. Perhaps all seed lots have to be tested by the government before companies sell them. Production fields of illegal HT seeds should be located and ploughed down in this kharif season under government supervision.

What is needed today is for the government to call upon the technology provider and arrive at a policy and licensing framework that encourages introduction of HT Cotton, followed by a swift regulatory process for evaluating the data and approving the technology. This will benefit Indian

cotton, seed industry and above all the cotton farmer. Any further delay will only cause irreparable damage to the carefully built cotton ecosystem.

Source: thehindubusinessline.com– Jul 28, 2020

HOME

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Digging deeper: On GST compensation

With GST collections set to shrink, the Centre must find new ways to compensate States

Four months into FY2020-21, the Centre has finally managed to pay States the compensation due to them for the previous year under the GST regime. This may come as a breather for States seeking to finance efforts to ramp up public health-care capacity and contain COVID-19's detrimental effects on vulnerable sections. The last instalment of ₹13,806 crore for March 2020 was paid out recently, taking the total payments for the year to ₹1,65,302 crore.

To refresh, States were guaranteed compensation from the Centre for the first five years of the new indirect tax regime introduced in July 2017, for the revenues they lost after the shift from the earlier system where States had the power to levy some indirect taxes on economic activity. This compensation assumed a 14% annual growth rate in a State's revenue, with 2015-16 as the base year, and was to be paid out from a compensation cess levied on top of the specified GST rate on luxury and sin goods.

With growth down over the previous fiscal year even before the pandemic waylaid the economy, the assumptions of the not-too-distant past are beginning to hurt. Compensation cess under GST last year was almost ₹70,000 crore less than the payments due to States.

This gap is likely to enlarge further this year with expected economic contraction denting GST collections as well. Compensation cess inflows could shrink even more with people curbing discretionary spending on luxury goods in order to conserve capital or stay afloat in the pandemic-hit economy. A little over half of the shortfall in last year's cess kitty has been plugged by tapping cess balances from the first two years of GST implementation.

The rest has been conjured up from the Consolidated Fund of India by debiting Integrated GST (IGST) funds that were lying with the Centre. IGST is levied on inter-State supply of goods and services and some of this levy collected in 2017-18 — the first year of GST when systems were still a tad ad-hoc — had not yet been allocated to States.

Having thus drawn on these unintended contingent reserves, paying compensation to States this year is going to be even more daunting for the Centre. At the last GST Council meeting in June, Finance Minister Nirmala Sitharaman had said the Council would convene again in July just to discuss the possible alternatives to deal with this particular conundrum.

The chief solution officials have been fleshing out is for the Centre to raise special loans against future GST cess accruals in order to help meet its compensation promise to States. There is no sign of that meeting being scheduled yet.

That the pandemic's economic havoc has thrown up multiple challenges for North Block mandarins is understandable. But with a third of the fiscal year almost over, it would help the Centre and the States to battle the virus more effectively if they had more certainty and clarity on the cash at their disposal.

Source: thehindu.com– Jul 28, 2020

HOME

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Why MSME package won't make small businesses atma nirbhar

One of the key components of the government's Atma Nirbhar Bharat stimulus package to boost the economy, announced in mid-May, was a set of relief measures for micro, small, and medium enterprises (MSME). The move was ostensibly aimed at small businesses that were hit hardest by the pandemic-induced lockdown.

However, given that this relief was accompanied by definitional changes that favoured larger firms, the benefits of the Atma Nirbhar package are unlikely to flow to the large number of small businesses that make up the bulk of the MSME universe, our analysis suggests.

The definitional changes by the government included the abolition of the distinctions between manufacturing and services firms, changes in the upper limit for investment in plant and machinery to qualify as an MSME, and the introduction of turnover as an additional criterion.

To understand how the benefit of the redefinition could work, we analysed the CMIE Prowess firm-level database. Of about 50,000 companies with balance-sheet details as of fiscal year 2016, there were 20,440 companies for which data on investment and sales were available.

Most of the new inclusions are in the 'medium' category

Category-wise number of firms in CMIE Prowess database

	Old definition	New definition (May 2020)	New inclusions/exclusions
Micro	2,873	3,006	133
Small	5,751	5,255	-496
Medium	2,129	5,872	3,743
MSME	10,753	14,133	3,380
Large (non-MSME)	9,687	6,307	-3,380
Total	20,440	20,440	

NOTE: MSME includes micro, small, and medium firms

Our analysis shows that the new definitions have put several erstwhile 'large' firms within the MSME bracket even while excluding some small firms from the same universe.

The total number of firms in the MSME universe goes up by 30% to 14,133 with the revised definitions.

The bulk of the new entrants are in the largest sub-segment (medium enterprises), and a small fraction in the micro segment. The small segment actually saw 496 firms (nearly 9% firms) excluded based on the new definition.

The average value of sales of the new entrants into the MSME universe, based on the revised definitions was Rs. 83.4 crores in fiscal 2016, and their investments averaged Rs. 22.6 crore for the same period.

It is instructive to compare the size of the potential beneficiaries with the registered MSME sector. On average, the net sales of potential beneficiaries is 191 times the gross output of a registered MSME, as per the last official MSME census conducted in 2006-07. Though the two figures are not for the same year and hence, not strictly comparable, the magnitude of the

difference between them is so large that they seem to belong to entirely different worlds.

When one considers the larger MSME universe, which includes unregistered and informal small businesses, the gap between the beneficiaries of the Atma Nirbhar package and the average small business appears even wider. The MSME ministry annual report says the MSME sector includes the entire non-agricultural informal sector consisting of 63.4 million enterprises, contributing 29 per cent of GDP in 2015-16.

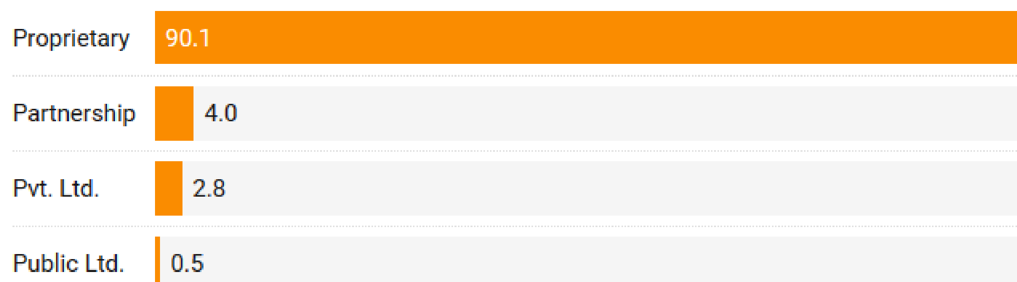
However, the proportion of units registered with the official agencies – eligibility for government assistance – form a miniscule fraction of the total. As per the last MSME census of 2006-07, there were 1.6 million registered enterprises, employing on average 6 workers, and producing gross value of output worth Rs. 46 lakhs per enterprise.

The new definitions thus cater to only a miniscule minority of the broader MSME universe in the country. It is worth noting that even under the earlier norms and credit relief programs, only a small creamy layer of MSMEs garnered most of the benefits, given the wide disparities within the registered MSME sector.

95 percent of the registered MSMEs are micro units, and 90 percent proprietary concerns. Medium-sized enterprises constitute just 0.2 percent of the number of units but nearly half of them are corporate entities, and hence typically have much better access to credit subventions and other government aid.

Most registered MSMEs are small owner-led firms

Registered MSMEs by type of organisation as per 2006-07 Census (in %)



On average, a medium-sized enterprise employs 27 times more workers, has 73 times more fixed assets (at market value), and produces 62 times more gross output than the average registered MSME firm.

There is a wide gap between medium category firms and the rest of the registered MSMEs

	Employment (In nos.)	Fixed assets (Rs. lakhs)	Gross Output (Rs. lakhs)
MSME average	6	29	45
Average for medium enterprises	161	2,089	2,820

The new definitions will only add to the pre-existing disparities, and channel even more funds away from genuinely small firms. In contrast, a sizeable number of medium-sized corporations stand to gain from the new definitions.

The government claims that the Atma Nirbhar stimulus package is meant to help small firms. Our analysis suggests that the package is in effect a corporate subsidy that will do very little for the really small firms.

Source: livemint.com– Jul 28, 2020

HOME

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What's Happening in India's Cotton and Textile Sectors?

On July 27, the Cotton Association of India (CAI) estimated this year's Indian crop (October 1, 2019-September 30, 2020) to be 33.55 million bales (170 Kgs each) – about 550,000 bales higher than its previous estimate.

With cotton prices significantly lower than its price during January and February, the lack of full capacity utilization in spinning mills will add to cotton stocks, which may lower the price further, according to a few Indian spinning mill executives.

CAI predicts a carryover stock of 5.55 million bales.

"COVID-19 has reduced the consumer purchasing activity, which is the main reason for lack of uptick in the spinning sector," stated Velmurugan Shanmugam, general manager of Jayalakshmi Textiles, based in

Aruppukottai, India. This mill has 72,000 ring spindles and produces finer counts catering to sheeting materials and men's wear fabrics.

As mills normally keep four months of stock, mills in India procured cotton in February when the 30-mm cotton was priced around Rupees 40,000 per candy (356 Kgs). Currently, spot price of this cotton has gone down, heightening stress in the spinning sector.

Due to lack of buyers, spinning and other textile segments are feeling the pinch in paying interest against working capital, adding uncertainty and stress, said Shanmugam.

Shanmugam and I agreed that India's textile sector should use this COVID-19 scenario as an awakening and work towards enhancing its mass production capabilities and its product basket, which has been the case in China. The sector needs value-addition to the sector and new industrial applications for cotton.

All eyes are on cotton and yarn prices – and what consumers do within the next few weeks.

Source: cottongrower.com– Jul 28, 2020

HOME

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Apparel sees weaker consumer spending sentiment in India

Apparel has witnessed weaker consumer spending sentiment in India due to the financial uncertainty amid COVID-19 and is one of the 'shrinking' categories as consumers facing or expecting a crunch in their income increasingly prioritise essential goods and services, according to a consumer sentiment survey report by Facebook and Boston Consulting Group (BCG).

Released recently, the report, titled 'Turn the Tide', noted that as consumers are not stepping out of their homes as often, it is bound to have an impact on social occasion clothing requirements.

Income uncertainty is leading to weak demand and a re-calibration of consumer priorities is leading to weaker consumer spending sentiment for discretionary categories like apparel, it found.

Forty per cent of the consumers are expecting discounts and promotions during apparel shopping and the number of consumers who shop due to functional reasons are expected to rise significantly.

Digital influence in apparel sales is expected to go up to 60-65 per cent and 40 per cent of consumers are planning to increase online spend on apparel.

India will also see an increase in demand for active wear and athleisure.. Four-firths of Indian consumers are unwilling to go out of their homes, except for work, affecting the social occasion clothing requirement.

During 2015-2019, the apparel industry in India grew at a compounded annual growth rate (CAGR) of 13 per cent, with 90 per cent of sales being driven via the unorganised sector.

Sixty seven per cent of shopping was done through modern trade channels, as compared to just 7 per cent via online channels. Although small, the online channel is growing fast, and it grew at a CAGR of 34 per cent from 2015 to 2019.

Source: fibre2fashion.com– Jul 28, 2020

HOME

****

Indian e-commerce has potential to create 1 million jobs by 2023 alone: Report

A report by Quest Alliance, produced in collaboration with Tandem Research and supported by Cisco as part of the Future Right Skills Network, says skill-building with specific reference to the platform economy has significant potential to revive India's growth in a post-Covid world.

The report stated that India has one of the largest youth populations in the world, with 4.75 million youth expected to enter the workforce every year.

The youth labour force participation rate was pegged at 38.1 per cent in 2018-2019.

However, rapid developments, including the growth of the platform economy in India, have created new job roles and opportunities.

Focus on building skills

According to the report, projections made before the economic downturn in India — and subsequently, the global Covid-19 pandemic — estimated that the Indian e-commerce sector has the potential to create 1 million jobs by 2023 alone, and would be worth US$ 200 billion by 2026.

The study noted that to maximise employment potential, skill building in key areas including entrepreneurial skills, communication and problem-solving, financial literacy and management, and digital fluency, needs to be prioritised.

Speaking about the report, titled 'Skilling for the Future of Work – An Outlook for Youth in the Platform Economy', Aakash Sethi, CEO, Quest Alliance, said in the official release: "Over the last decade of our work with Industrial Training Institutes (ITI)s, we have found that mere proficiency in a trade or industry skills will no longer suffice in the 21st Century workplace — more so in a post-COVID world."

The collaborative study further mentioned that to a certain extent, skilling may also address the inherent issues of the platform economy that workers must contend with. This includes the lack of access to social protections such as the minimum wage, social security funds, health benefits, and sick leave.

Additionally, the digital gender divide and disparity in women's ownership and use of digital devices can be exclusionary towards women, creating new barriers to access, the study mentioned.

Source: thehindubusinessline.com– Jul 28, 2020

HOME

****

Welspun to invest Rs. 400 crore to start facility for advanced textiles

Indian textile giant Welspun Group has launched its greenfield manufacturing facility near Hyderabad. At an investment of Rs. 1,100 crore, it will be a fully integrated and independent flooring vertical.

The Group will also start a manufacturing facility for advanced textiles and will invest Rs. 400 crore in this textile facility.

Telangana's Minister for Industries and IT&C, KT Rama Rao, inaugurated the tile facility and laid the foundation stone for the textile unit.

Spread across 200 acres, this factory will employ around 1,600 people directly.

Though India will remain the main focus for the company, the products produced in this unit will be exported across the globe.

BK Goenka, Chairman, Welspun Group, Mukesh Savlani, President & CEO-International Business of the company and many other dignitaries were present on this occasion.

Source: in.apparelresources.com– Jul 28, 2020

HOME

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With 80% idle capacities, non-woven mask makers seek export permission

A three-month dream run for non-woven masks makers — mostly MSMEs — has hit a roadblock with massive capacity built-up and exports restrictions hammering the plant utilisation to below 20 per cent.

The trade estimates a loss of around ₹1,000 crore for non-woven fabric makers and converters (masks products makers) on account of restrictions on export of spun bond non-woven fabrics and various types of masks.

After the Covid-19 outbreak in India, companies rushed to create capacities for 3-ply surgical and N-95 masks and hit a total capacity of about 77 crore masks per month.

Mostly 90 per cent of the capacities were created after March considering a huge demand potential. But the actual consumption, as of July, remained at 14.6 crore masks per month leaving about 81 per cent of the capacities idle, thereby causing a financial stress to the investors.

A representative body of the industry, Non-Woven Federation of India (NWFI) has estimated that domestic consumption of spunbond non-woven fabric for medical application such as PPE Kit, 3-Ply masks and N-95 masks is around 5,200 tonnes per month, which is 12.6 per cent of the total production capacity of 41,350 tonnes.

In March, the Directorate General of Foreign Trade (DGFT) prohibited exports of textile raw materials for masks & coveralls and surgical/disposable masks fearing shortage in the country. But on July 13, DGFT allowed exports of non-woven fabric other than 25-70 GSM (gram per square meter), while continuing to prohibit exports of fabric of 25-70 GSM.

Raising the industry's concerns, Suresh Patel, President of NWFI, said, "Majority of the demand is for Spunbond nonwoven fabric of 25-70 GSM. This policy of partially lifting of ban on non-woven fabric exports is technically not correct as there is no differentiation in manufacturing facilities on the basis of GSM. Manufacturers can make fabric of GSM ranging from 10 to 200 in the same plant with change in process speed."

Patel ruled out the fears of a possible shortage of the PPE kits and masks and said "the government can reserve 50 per cent of the non-woven fabric production for domestic consumption, and allow exports of the remaining 50 per cent," he said.

"India is self-sufficient in spunbond non-woven fabric and surgical mask requirements. Hence, the restrictions on their exports do not make any practical sense," said Anshumali Jain, Vice-President, NWFI, adding that capacity utilisation of the units was 80-90 per cent before the ban was imposed in March and the products were exported across the country.

The federation has represented to the Union ministries of textile, MSME and Health demanding removal of export restrictions.

"The government should allow exports of spunbond non-woven fabric and 3-ply surgical masks without any restrictions, while certified manufacturers should be allowed to freely export N95 masks," the federation said.

Source: thehindubusinessline.com– Jul 28, 2020

HOME

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TN quarantine rules for migrant workers unviable, say employers

The return of migrant workers to Tamil Nadu especially in and around Chennai has slowly started with Covid-19 lockdown being relaxed. However, the Standard Operating Procedure (SoP) issued by the Tamil Nadu government on Monday to bring the workers from other States is likely to make things difficult, say officials across all sectors.

As per the SoP, all the individuals who test positive shall be sent to hospital for treatment. All the individuals who test negative shall be sent for 'room quarantine' for 14 days at a suitable place identified by the contractor/manpower agencies and approved by the district administration.

All the individuals who are asymptomatic and have completed 14 days of 'room quarantine' can be deployed in work sites while complying with hygiene guidelines. During the 14 days quarantine, if any individual develops symptoms, they should be tested for Covid-19, the SoP says.

However, right from the neighbouring kirana store to retail stores, leather and textile units, truck/bus body building units and to rig operators in and around Namakkal are heavily dependent on labourers from other States. The SoP will make it difficult for the incoming workers to follow, said sources.

The SoP is not at all feasible. The migrant workers come in groups of 5 to 10 and stay at the same place. This rule will stop them from coming due to fear, said Sanjay M Lulla, Managing Partner at SM Lulla Industries Worldwide, a Chennai-based exporter of leather garments. Nearly half the workers in leather industry are from other States, he added.

"As an alternative, employers can do rapid antibody tests for all employees and keep it ready for inspection. In my office, I am doing every two weeks from the past two months," he added.

Even for Chartered Accountants (CA) firms that employ workers from other States, the SoP will make it difficult. “It is quite impractical and going against what the government itself is doing with those within Tamil Nadu testing negative.

It would be sensible if you quarantine a person who was anytime with say last 28 days tested positive or got treated before the date of entering Tamil Nadu,” said R Vittal Raj, a senior CA practitioner and employs professionals from outside the State.

“We have already lost a number of days due to the lockdown. We need workers to start working right from day one. This 14-day room quarantine will be lost to both the employee and employer,” said Manickam, a rig operator in Tiruchengode. Rigs from this western region of Tamil Nadu travel right up to the Himalayas for digging bore wells..

Source: thehindubusinessline.com– Jul 28, 2020

HOME

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