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IBTEX No. 23 of 2020 January 30, 2020

US 71.46| EUR 78.70 | GBP 92.97| JPY 0.66

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
18947	39600	**70.85**

Domestic Futures Price (Ex. Warehouse Rajkot), January

Rs./Bale	Rs./Candy	USD Cent/lb
19210	40149	**71.83**

International Futures Price

NY ICE USD Cents/lb (March 2020)	70.36
ZCE Cotton: Yuan/MT (May 2020)	13,515
ZCE Cotton: USD Cents/lb	88.30
Cotlook A Index – Physical	**57.77**

Cotton Guide- The Cotton prices have again shifted towards the positive side with gains close to a cent. In other words, the ICE March contract settled at 70.36 cents per pound with a change of +85 points. The ICE May and ICE July contract settled at 70.92 cents per pound and 71.64 cents per pound with a change of +98 and +96 points respectively.

The reason attributed for this positive change was easing tensions about Corona Virus which earlier was the primary reason for the drop in cotton prices. The threat is not yet eradicated; however, the news coming from China mentions the situation to be under control. This has not just affected cotton but has also had an impact on the commodity basket and Global Equities as a whole.

The MCX contracts on the other hand as usual followed the path of ICE. The MCX January contract settled at 19,210 Rs per Bale with a change of +80 Rs. This has now lost its crown of being the most active contract to MCX February contract. The MCX February contract settled at 19,490 Rs per Bale with a change of +70 Rs. The MCX March contract which is the second most active contract settled at 19,750 Rs per Bale at +70 Rs. The volumes declined drastically at 1178 lots.

The cotlook index A has been updated at 78.60 cents per pound with a change of +5 points which is considered as a very marginal change. The prices of Shankar 6 are at 39,600 Rs per Candy ex-gin (approximately 70.90 US cents per lb). Punjab J-34 has eased slightly to 4,103 per maund (69.90 cents per lb). Our private estimates of arrivals are 235,000 lint equivalent bales which encompasses 68,000 from Maharashtra, 57,000 from Gujarat and 52,000 from Telangana.

On the fundamental front, with demand concerns with respect to China and Bangladesh and with markets having caught the corona virus, we presume market to remain sideways. We are not expecting this week's Export sales data to be strong. If in case it is strong, the bulls will drive the prices higher. While speaking about Corona virus once again, if the virus stands uncontrolled and if the WHO calls it an international emergency then the Bears would become very strong thus driving the market south. We therefore would give a consolidated view as of now.

On the technical front, In daily chart, ICE Cotton March retraced from the support of 50% Fibonacci retracement level & a downward sloping channel (red channel) support around 68.50, within an upward sloping channel (green channel). Meanwhile price is above the 5 & 9 day EMA at 70.21, 70.20 acting as an immediate support for the price, along with RSI at 56 suggesting a phase of sideways to bullish bias in the market. However, the immediate support for the price would be 69.00, followed by 68.44 which are the previous close & 50% Fibonacci retracement level resp & the immediate resistance is around 70.94 (76.4% Fibonacci retracement level). Thus for the day we expect price to hold the range of 69.00-71.00 with a sideways to positive bias. In MCX Jan Cotton, we expect the price to trade within the range of 19150-19500 with a sideways to positive bias.

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

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INTERNATIONAL NEWS

China remains to be top foreign investment source of Ethiopia in 2019: UN report

China has remained the largest foreign direct investment (FDI) source in Ethiopia, accounting for about 60 percent of the newly approved foreign projects in the East African country during 2019, the United Nations Conference on Trade and Development (UNCTAD) Report 2020 has disclosed.

The UNCTAD, which described Ethiopia as the biggest FDI recipient in the East Africa region and the fourth largest FDI destination in Africa during the just concluded 2019 in its latest economic report, also revealed that about 60 percent of Ethiopia's FDI was obtained from investors from China.

Noting that the East African country's FDI inflow during the stated period was 2.5 billion U.S. dollars, it also stressed that the reported amount had declined by about 800 million U.S. dollars as compared to the previous year, which was said to be 3.3 billion U.S. dollars.

Amid the ever-growing Chinese engagement in Ethiopia, the East African country has also acknowledged the ever-expanding Chinese investment as a vivid manifestation of the blossoming Sino-Ethiopian ties across various sectors in recent years.

On Tuesday, a high-level Ethiopian official told Xinhua that Chinese investors' ever-growing engagement across Ethiopia's industrial parks is a manifestation of the "undeniable and enduring economic and trade relations between the two countries."

"A large number of Chinese firms' investment in various industrial parks in Ethiopia could be seen as an acknowledgment of the two nations' strong and sustained bilateral relationship," Temesgen Tilahun, deputy chief of the Ethiopian Investment Commission (EIC) said in an exclusive interview with Xinhua on Tuesday.

Noting China's "strong business presence in Ethiopia" across various investment sectors mainly in the infrastructure development, manufacturing as well as the textile industry, Tilahun affirmed that "it is not surprising that more Chinese investors are participating in several numbers Ethiopia's industrial parks. Chinese investors are not coming here for short term benefit; instead, they start business aiming at a durable national objective."

In recent years, the Ethiopian government has attached great importance to cooperation with Chinese firms in various fields, including the construction of industrial parks along with giant Chinese companies investing in various industrial hubs, majority of which were built by Chinese experts and technologies.

Tilahun further stressed that Ethiopia -- Africa's second populous nation with an estimated 109 million total population, is yet to fully harness its potential to further attracting Chinese investment.

"My assumption is, Ethiopia is lagging from exploiting and using Chinese well-rounded development opportunities given our potential, resources, population and geographic location," said Tilahun.

Source: china.org.cn- Jan 29, 2020

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USMCA Offers Stability for U.S. Cotton in Key Markets

The National Cotton Council (NCC) applauded President Trump's signing of the Congressionally-approved U.S.-Mexico-Canada Agreement (USMCA).

NCC Chairman Mike Tate said this agreement will provide a boost in trade certainty for U.S. cotton and cotton textile products in the North American market. Mexico is the second largest export market for U.S. cotton textile/apparel products, and Canada is the fourth largest for these goods. Mexico is also a top market for U.S. raw cotton.

Tate, an Alabama cotton producer, said the USMCA – which updates and modifies the North American Free Trade Agreement – includes a textile chapter that offers significant improvements for domestic textile manufacturers and workers. Those provisions include:

- A stronger rule of origin for certain regional textile products
- Strong customs enforcement language

- Assurance that a significant amount that the Department of Homeland Security spends annually on clothing and textiles is on domestically-produced products.

Source: cottongrower.com- Jan 29, 2020

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Vietnam: CPTPP not proving a hit across the board

Vietnam has been unable to gain export growth to all CPTPP member countries, according to the Ministry of Industry and Trade.

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A year since the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect, Vietnam had seen strong growth in exports to some CPTPP member countries, but not all.

In 2019, export value surged by 28.2 percent year on year to 3.86 billion USD to Canada, 26.8 percent to 2.84 billion USD to Mexico, 20.5 percent to 1 billion USD to Chile and 40 percent to 350 million USD to Peru.

Vietnam had a slight increase at 1.1 percent in export value to Singapore and faced export value reduction to some other CPTPP countries, such as Australia (down 12 percent to 3.5 billion USD) and Malaysia (down 3 percent to 3.3 billion USD).

Vu Tien Loc, Chairman of the Vietnam Chamber of Commerce and Industry (VCCI), said the first impact of the CPTPP for Vietnam was to accelerate reform in institutions, meeting requirements of the global economy and trade.

However, in a VCCI survey of 8,600 local enterprises, up to 70 percent of them had little knowledge of the CPTPP.

This survey has also pointed out that 84 percent of the enterprises lacked information about the commitments in the free trade agreement.

Meanwhile, textile, footwear, fisheries and wooden products were considered commodities that would have a lot of opportunities to boost exports thanks to tariff rules in the agreement, but it hasn't turned out that way.

Le Tien Truong, General Director of the Vietnam National Textile and Garment Group (Vinatex), said the textile and garment industry has not taken full advantages from the CPTPP to increase exports because of issues meeting rules of origin in the agreement.

This agreement requires certification on local origin from yarn onward to enjoy preferential tariffs, while the domestic textile and garment industry annually imports about 99 percent of cotton and 80 percent of fabric for its production, he said.

According to the Import-Export Department, in 2019, the textile and garment industry spent 13.3 billion USD on fabric imports, up 4 percent year on year, 2.4 billion USD on yarn imports and 2.6 billion USD on cotton imports.

The industry achieved a total export value of 39 billion USD in 2019, lower than expected.

Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association (Vitas) admitted importing input materials has made local producers struggle to take advantage of free trade agreements like the CPTPP.

Giang was quoted by Dau tu (Investment) newspaper as saying that the biggest challenge for the textile industry was input materials, because it still has to import materials for annual production.

The industry needs the Government’s help to build industrial clusters on production of materials for the textile and garment industry, he said.

Source: en.vietnamplus.vn- Jan 29, 2020

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Myanmar clothing sectore on the upswing

There is a boom in Myanmar’s clothing and textile industry. This comes at a time, when wages in other regional production hubs such as Vietnam and Cambodia have risen, driving manufacturers to cheaper nations. The minimum wage in Myanmar is among the lowest in Southeast Asia.

Myanmar is becoming more stable in the textile industry. Myanmar’s export revenues from the textile manufacturing sector make up nearly 10 per cent of the country’s export revenues. The country exports its garments and textiles mainly to Europe, Japan and South Korea.

If manufacturers make a shift from the Cut, Make, Pack (CMP) production system to a free on board (FOB) system, annual earnings could swell tenfold should demand remain at the current level.

Under a CMP system, all raw materials, such as fabric and buttons, are imported by local factories, which then assemble the garments for export.

Under an FOB system, the exporter quotes a price that includes all costs, including delivery of goods aboard an overseas vessel. The local factory is responsible for the whole production process.
The European Union is working with more than a hundred garment and textile factories in Myanmar in expanding training and capacity building programs for social and environmental performance.

Source: fashionatingworld.com- Jan 29, 2020

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Pakistan: Volumes keep exports up

The continued LSM contraction has invited all sorts of criticism, as the slowdown still seems to be finding the bottom, in contrast to the hopes of recovery. The heaviest-weighted textile production growth stayed by and large stagnant, drawing concerns from some corners over the export performance. Some experts even went on to argue that zero growth in export-oriented textile LSM numbers mean that export volumes have either declined or stayed the same.

1HFY20 - Exports in numbers

	Value chg YoY (%)	Volume chg YoY (%)
Knitwear	7.6%	5.7%
RM garments	12.1%	32.4%
Bedwear	3.2%	11.7%
Cotton Cloth	-3.7%	-1.7%
Cotton Yarn	-0.7%	6.8%
Towels	0.2%	1.9%
Fruits & veg	10.8%	-1.6%
Basmati	55.9%	72.0%
Other rice	13.7%	19.3%

Source: PBS

Only that, this is not how it works. While the quantity of cloth produced may have stayed the same – the textile export performance has banked heavily on value addition deeper in the chain. Going back to “how to read LSM numbers" would not hurt for some around. The SBP too, has noticed that the mismatch between production and export volume data has widened further.

It must be remembered that domestic textile output data is skewed towards primary products. The transition from low value-added products such as yarn and cotton cloth, to high value-added products such as apparel, is as clear as daylight.

Onto the export performance. A 3 percent year-on-year increase in dollar value is not necessarily chest thumping stuff. A 10 percent year-on-year increase in food exports, which accounts for almost one-fifth of total exports, is not too shabby either. Rice accounts for half the food exports, and the resounding basmati comeback should instill hopes. Better still, massive rice export is all volume driven, despite significant dip in unit price.

While Pakistan had its more than fair share of vegetable shortages, fruits and vegetable exports was not a disappointment. While fruit exports increased in quantity, vegetable exports raked in higher unit prices. Combined, horticulture exports have a bigger share than the oft-discussed leather, sports, or surgical exports. Surely, such impressive numbers warrant more attention from those who matter, in the bid to diversify the textile centric exports.

And then the textile story. Looking from outside – a near 4 percent year-on-year growth in dollar terms is barely passable. Bringing in the volume story, which has now been going on for a few months, the picture looks brighter and better. There is more reason to rejoice that the high value-added exports such as apparel are the ones growing strongest. Even the unit prices, in some cases have shown resurgence.

Textile performance should also be viewed with the perspective of global economic slowdown. The shift from high-priced apparel demand to mid-range apparel, in the developed countries, has worked in Pakistan's favor. Pakistan had the timing right in terms of textile production cost, as energy prices for textile industry were in line with regional prices for most of 2019. Energy input prices have reportedly been increased for export players. With ongoing expansion, the move to counter a subsidy of Rs10-15 billion at best, could backfire big time. The government would do well not to tinker with energy prices for the export sector.

Source: brecorder.com- Jan 29, 2020

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Pakistan: Improved trading activity seen on cotton market

Mills indulged in fresh buying of lint on the cotton market on Wednesday in the process of improved trading activity, dealers said. The official spot rate was increased by Rs100 to Rs9150, they added.

In the ready session, over 4000 bales of cotton changed hands between Rs8150-9300, they said. Rate of seed cotton per 40kg in Sindh low quality was at Rs2800, while the best quality was at Rs4200, and in the Punjab prices were at Rs3000 while the fine type was at Rs4600, they said.

In Sindh, Binola prices per maund were at Rs1400-1800, in Punjab rates were at Rs1650-1800, they said and the rate of polyester fibre was at Rs181 per kg, they added.

Market sources said that upward trend in the international market propelled mills to make fresh deals to replenish their stock.

Cotton analyst, Naseem Usman said that liquidity crunch and poor cotton quality not encouraging buyers to finalise deal. So that a kind of uncertainty is prevailed on the market, other brokers observed. Adds Reuter: ICE cotton futures rose more than 1% on Tuesday following the recovery in the stock markets as concerns over major economic impact from China's corona virus outbreak eased.

Cotton contracts for March settled up 0.85 cent, or 1.2%, at 70.36 cents per lb.

Total futures market volume fell by 22,068 to 32,429 lots. Data showed total open interest gained 1,377 to 264,676 contracts in the previous session.

The following deals were reported: 400 bales from Mirpur Mathelo sold at Rs9225, 1000 bales from Fort Abbas at Rs9200-9300, 600 bales from Rahim Yar Khan at Rs9200, 200 bales from Chichawatni at Rs8150, 600 bales from Faqeerwali at Rs8700 and 1200 bales from Rajanpur at Rs8500-9300, they said.

Source: brecorder.com- Jan 29, 2020

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NATIONAL NEWS

Govt marginally raises duty drawback rates on textiles

Based on the recommendations made by the Duty Drawback Committee, the government has announced the revised duty drawback rates vide Customs Notification 07/2020-Cus(NT). The marginal increase in duty drawback across the textile value chain will come into effect from February 4, 2020. The Southern India Mills' Association (SIMA) has hailed the announcement.

The government reimburses the customs duty and other central taxes that are not subsumed in the GST and levied on inputs used in the manufacture of exported final product by way of duty drawback. The Duty Drawback Committee periodically revises the drawback rates and the value cap (if any) depending upon the incidences of duties and taxes.

The duty drawback rate for cotton grey yarn has been increased from 1.7 per cent to 1.9 per cent, for fabric from 1.6 per cent to 2 per cent, made-ups from 2.6 per cent to 2.8 per cent, apparel from 1.9 per cent to 2.1 per cent, thus encouraging value addition and benefit the predominantly cotton based spinning sector.

Thanking the government for considering the inputs given by the textiles and clothing industry and enhancing the rates marginally across the value chain, SIMA chairman Ashwin Chandran said, "Duty Drawback being a WTO-compatible export benefit, the scheme would help the exporters to achieve a sustained growth rate provided the duty drawback calculation takes care of all incidences of duties and taxes."

Stating that the marginal increase in duty drawback might help to boost cotton yarn exports to a certain extent, Chandran appealed to the government to remove the value cap for spandex yarn and certain categories of woven fabrics to encourage value addition.

"It is essential to refund the state and central levies that are not refunded under duty drawback calculations to make the cotton yarn and fabric exports competitive. The industry has been pleading the same from the inception of announcing Rebate of State Levies (RoSL) benefit for garments and made-ups," said Chandran.

He appealed to the Government to include cotton yarn and fabric under Rebate of State & Central Taxes and Levies Scheme (RoSCTL) to revive the spinning and weaving segments from the long drawn recession, utilise the surplus capacity, convert the surplus cotton into value added products and export and also create jobs for several lakhs of people.

He stated that the new Remission of Duties or Taxes on Export Product (RoDTEP) benefit would refund all the embedded / blocked duties and taxes and cover all the textile products viz fibres, yarn, fabrics, garments, made-ups, technical textiles, etc across the value chain to have a level playing field in the global market and remain competitive.

Click here to read the notification

Source: fibre2fashion.com- Jan 29, 2020

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Textile industry hails hike in duty drawback rates

The Department of Revenue has notified new duty drawback rates for textile and clothing products in a communication dated January 28 and the new rates will come into effect from February 4. The textile industry here has welcomed the increase in rates for almost all the products.

Chairman of the Apparel Export Promotion Council A. Sakthivel said that for cotton T-shirts, the new rate is 2.1 %, which is marginally higher than the existing rate of 1.9 % and for blends, the hike is substantial.

Welcoming the new rates, he said that though the rise is marginal it will benefit the garment exporters. The Council had submitted data for higher drawback rates and it will continue to pursue with the government for higher rates. Southern India Mills' Association chairman Ashwin Chandran said duty drawback is a WTO-compatible export benefit and the marginal hike in rates will help increase exports.

The duty drawback rate for cotton grey yarn is up from 1.7 % to 1.9 %, for fabric from 1.6 % to 2 %, and made-ups from 2.6 % to 2.8 %. He appealed to the government to remove the value cap for spandex yarn and certain categories of woven fabrics.

Source: thehindu.com- Jan 30, 2020

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Cotton prices fall in India on China virus scare

Cotton spot prices in India have weakened 3-4% in the past one week, as the coronavirus scare looms large over the commodity trade with China, the largest buyer of the natural fibre and its yarn.

The price of raw cotton has slipped by Rs 200-300 below the minimum support price in India, as traders anticipate a squeeze in demand from China due to the prevailing situation there.

“The international cotton price has come down by 3% in the last one week and the domestic has have reacted accordingly to the prevailing uncertainty in China,” Cotton Association of India president Atul Ganatra told ET. “Domestic prices are unlikely to fall further as international prices are still higher,” he said.

Cotton exports from India were looking up this season with consignments of 20 lakh bales (170 kg each) already delivered to China, Malaysia, Indonesia and Bangladesh. India had exported 12 lakh bales to Bangladesh and 4 lakh bales to China. Experts are concerned that consignments of 5 lakh bales scheduled to be shipped to China for February could get affected if the situation does not ease.

“The emergency measures being taken in China will have its impact on economic activities and it would suppress demand for cotton yarn from India,” said Lalit Mahajan, the head raw material at Vardhman Textiles. The company is a leading exporter of cotton yarn to China.

The Cotton Association of India had estimated total cotton exports from India at 42 lakh bales for the current season. The Indian cotton season commences in October and extends till September.

“Factors including an above-average cotton output in the current season and low domestic prices were expected to boost export of cotton,” Mahajan said. Yarn exports had shown some improvement last month, he said.

“The price had come down in November 2019 and gained in December. Cotton exports from India are buttressed by the depreciation in the rupee and higher international cotton prices in the current year,” said Harish Gupta, a Cotton analyst based at Sirsa, Haryana. He said consignments to China for February could be affected.

Prices are unlikely to recover much till the situation caused by the virus scare eases in China, Cotton Association’s Ganatra said. “The decrease in price will initiate additional cotton buying by the Cotton Corporation of India and provide price support,” he added.

Source: economictimes.com - Jan 29, 2020

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MSMEs expect favourable policies in Union Budget 2020-21

Introduction of favourable policies, allocation of substantial funds for growth, rollout of government-sponsored Fund of Funds (FoF), and investment in spreading the expanse of digital infrastructure are among the expectations of micro, small and medium enterprises (MSMEs) from Union finance minister Nirmala Sitharaman when she presents budget on February 1.

India is on one of the largest and the fastest-growing markets for digital consumers and accounts for the world's second-largest internet market. With easy access to data and digital proliferation across the country, an increasing number of online shoppers from smaller cities and towns are boosting business prospects for MSMEs.

"We hope Union Budget 2020-21 to include announcement on investment in spreading the expanse of digital infrastructure and enable consumers from small towns to have better access to e-commerce.

Measures to increase disposable income will further enhance the digital economy. A level playing field between retailers will see increased participation of MSMEs and aid in growth of small retailers in India," says Amit Sharma, founder & CEO, Narvar.

There are over 6 crore MSMEs in India, which together account for around 29 per cent of the country's GDP. Hence, it is expected that the government will introduce favourable policies and allocate substantial funds for the growth of MSMES, say Odhni directors Puneet and Yatin Jain.

"Presently, out of 32,385 applications filed by MSMEs, 2,031 applications have been disposed of by the government under the delayed payment monitoring system called MSME Samadhaan.

Apart from lack of access to capital, infrastructure, skilled labour and power supply issues are some of the problems that plague MSMEs in India. Therefore, Indian entrepreneurs hopes that upcoming budget will provide some long-term benefits to the MSME sector with better access to credit and lenient taxation policies," add Jain brothers.

In June last year, the Reserve Bank of India (RBI) had recommended a government-sponsored fund of ₹10,000 crore to support investments made in MSMEs.

"It's time to roll-out the government sponsored FoF to resolve the funding issues of the MSMEs in apparel, retail, and other sectors," feels Nidhi Yadav, creative head and founder, AKS Clothings. "Secondly, for better funding support from venture capitalists and private equity firms, policies need to be clarified on crowdfunding and other possible financial routes.

On the other hand, to drive market demand, the finance minister should present a comprehensive yet clear e-commerce policy.

Besides, some motivational schemes must be introduced for the young and aspiring women entrepreneurs of India, so that their knowledge and skills may get utilised in the economic development of the country."

Source: fibre2fashion.com - Jan 29, 2020

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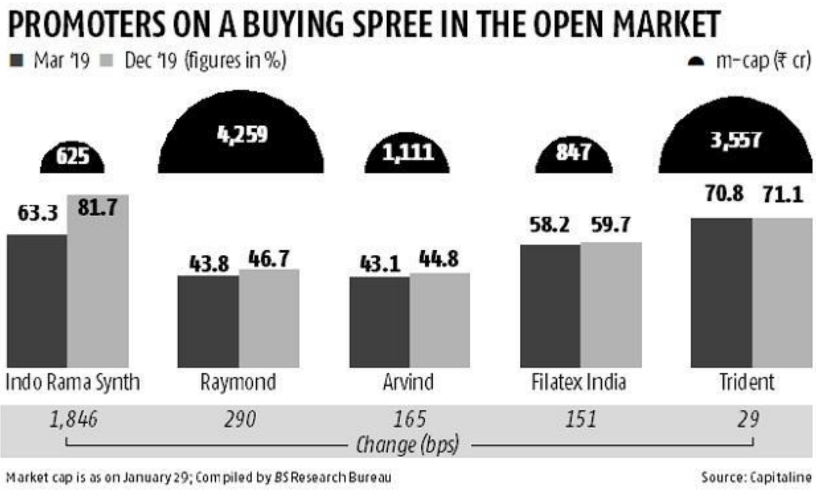
Promoters of textile firms increase stake on demand recovery expectations

India has become competitive in both polyester yarn and fabric businesses in the last couple of quarters

The promoters of several textile companies have increased their stake in the last nine months by purchasing fresh shares in the open market on expectations of a recovery in demand, and thus better profit margins.

The promoters of Raymond have increased their stake by 290 basis points (bps) to 46.7 per cent between April and December 2019. Similarly, the promoters of Arvind have raised their stake by 165 basis points in the same period. Indo Rama Synthetics, which has a low market capitalisation, has witnessed its promoters increasing their stake by over 18 percentage points.

Other players, such as Filatex India and Trident, too, have raised their stake since April 2019.



"We have recently completed an expansion at our Dahej plant and we will commence commercial operations of additional drawn textured yarn capacity plant by April 2020. There is an increasing demand for polyester yarn in both domestic and international markets, which prompted us to buy additional shares," said Madhu Sudhan Bhageria, chairman & managing director, Filatex India.

India has become competitive in both polyester yarn and fabric businesses in the last couple of quarters. This has prompted leading companies in the sector — Arvind and Filatex — to expand their fabric and polyester yarn capacities, respectively.

"The overall sentiment is currently weak because of the global economic slowdown. But we are expecting the sentiment to recover in the next one or two quarters, and domestic textile consumption and exports to go up. The government is providing all possible avenues for the industry to take advantage of China's decline in the global textile export market share," said an analyst.

An increase in shareholding of promoters is considered positive as it sends out an affirmative message that they see value in their companies at the current levels and are optimistic about the long-term prospects.

Source: business-standard.com - Jan 29, 2020

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Union Budget 2020: Continued access to incentives crucial for textile investments

Adequate provisioning for Amended Technology Upgradation Fund Scheme (ATUFS) subsidy – There had been a considerable reduction in budgetary allocation towards one of the flagship schemes of the sector, namely ATUFS, from Rs. 2,300 crore for 2018-19 to Rs. 700 crore for 2019-20. This primarily aims at incentivising capital investments in the downstream segments of the textile sector.

Even though the amount was nearly in line with the actual spend of Rs. 623 crore, estimated for 2018-19, a low spend points to the slower pace of incremental capital investments in the sector and/or slow pace of releases. Continued access to these incentives remains crucial for encouraging investments in India's downstream textile segments.

Clarity and adequate provisioning for export incentive schemes – The export segment of the domestic textile sector is facing multiple challenges, including intense competition, heightened by preferential duty access available to certain peer nations, the subdued demand from some of the key markets and continued uncertainty on the export incentive structure.

Also, delays experienced in clearance of some export incentives have aected the liquidity profiles of the exporters, further constraining their performance. In March 2019, the Government of India had notified the replacement of the Remission of State Levies (RoSL) scheme with the scrip-based Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for export of garments and made-ups.

This was done as a step towards eventual withdrawal of the export incentives, which are not compliant with the World Trade Organisation (WTO) norms. Accordingly, in the last Budget for 2019-20, allocation towards RoSL scheme had been reduced to Nil vis-a-vis Rs. 3,664 crore continued provision of the Merchandise Exports from India Scheme (MEIS) benefits, was expected to provide a temporary impetus to profitability of the apparel and made-up exporters, procedural issues and resultant delays in clearance of the RoSCTL dues have been observed in the current financial year.

This apart, the scheme benefits are available only to apparel and made-up exporters. As some other segments such as cotton spinning are also facing headwinds in the export market, there have been increasing demands from the industry to expand the scope of RoSCTL to ensure refund of all input taxes across segments.

Accordingly, clarity on rates and procedures as well as adequate provisioning for the export incentive schemes remains crucial for the liquidity and hence performance of the textile exporters.

Source: deccanherald.com - Jan 29, 2020

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Growing interest in Mumbai edition of Gartex Texprocess India

The trade fair for garment and textile machinery Gartex Texprocess India, which is held annually in New Delhi, is all set to mark its launch in Mumbai in March 2020 owing to the demand generated by garment and textiles manufacturing industries in India and overseas markets.

"As per India Brand Equity Foundation's latest report, exports in the textiles and apparel industry are expected to reach USD 300 billion by 2024-25, resulting in a tripling of Indian market share from 5% to 15%," organiser Messe Frankfurt Trade Fairs India says.

“Also, with government’s efforts in developing a competitive textile sector in India through its latest Textiles Policy 2020, the demand is expected to rise even further.”

Keeping in mind the new developments, the organisers of Gartex Texprocess India - Messe Frankfurt Trade Fairs India & MEX Exhibitions Pvt Ltd - added the new Mumbai location this year with the primary objective of reaching out to major textile hubs in West and South India. This edition will complement the existing New Delhi edition while also increasing the expanse of the show by reaching out to smaller-sized companies and start-ups in the region.

Mr Raj Manek, Executive Director & Board Member, Messe Frankfurt Asia Holdings Ltd said: “Even as the domestic consumption is surging, India's textile and apparel exports are expected to lead to a tripling of the country's market share globally.

Witnessing the tremendous opportunities at the first unified Gartex Texprocess India, the industry strongly hinted at the show’s potential as an instrumental venue for collaborations.

As organisers, it is our combined endeavour to strengthen our exhibitors’ reach in their target markets or potential areas of their business interest, and therefore we decided to bring the platform to Mumbai so as to provide stakeholders greater accessibility to their buyers in the western and southern regions.”

Exhibitors, who have signed up for the event, are all geared-up to present the latest innovations, machines, plants, processes and services to various stakeholders in the industry, including manufacturers and suppliers. The Mumbai edition of the show is scheduled to be held from 19 – 21 March 2020 at Bombay Exhibition and Convention Centre.

Highlights of the show include ‘Garmenting & Apparel Machinery’ that will provide insights on technological developments in the garment and apparel manufacturing sector. Additionally, innovative products and technologies, defining latest trends in the industry, will be showcased to the visitors at the four concurrent shows - Denim Show, India Laundry Show, Fabrics & Trims Show and Digitex Show during the three-day event.

Echoing the stance, Mr Gaurav Juneja, Director, MEX Exhibitions Pvt Ltd said: “Gartex Texprocess India is a great platform that has been instrumental in unifying various stakeholders within the garment and textile manufacturing supply chain.

Now the show is being held for the first time in Mumbai and we are immensely hopeful that this edition will diversify the reach and expanse of this highly popular trade event. Our association with Messe Frankfurt Trade Fairs India has been especially fruitful in taking the show towards the desired direction. It is our combined endeavour to provide a lot more opportunities for the garment and textile manufacturing industry, and we will strive to work towards that.”

The event is also aimed at providing business opportunities for international and national suppliers as well as trade visitors through networking sessions with industry experts and engaging in investment opportunities during the show.

Source: knittingindustry.com- Jan 29, 2020

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Brexit: Indian exporters cautious but hopeful ahead of Wednesday vote

As the European Parliament votes late on Wednesday to ratify the terms of Britain’s exit from the European Union (EU), Indian exporters are hoping to seize the gulf in trade relations that is set to emerge.

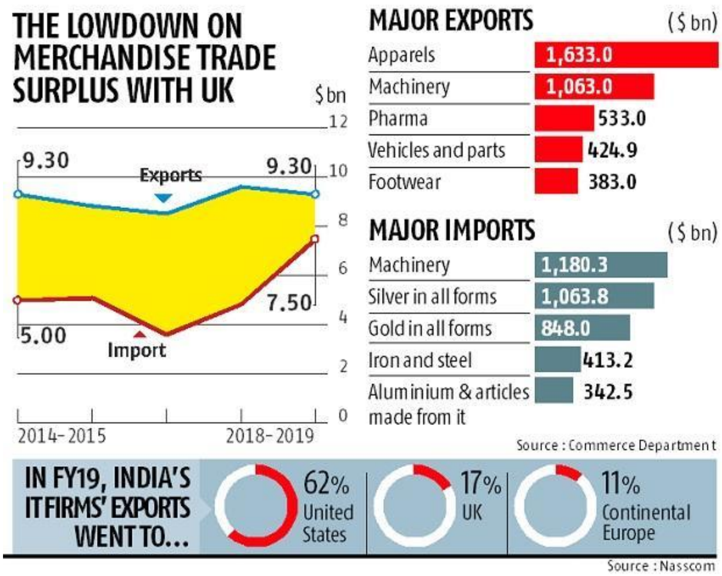
“A lot will depend on the exact terms of agreement that the United Kingdom (UK) reaches with the EU. If the UK decides to enter into a Customs union with EU, shipment flows will continue unhindered and without much change to the logistics value chain,” said Ajay Sahai, director general of the Federation of Indian Export Organisations.

A Customs union generally consists of a trade bloc composed of a free trade area and a common external tariff for products and services. This will require a new trade pact between both parties, which creates a common external trade policy. This may be similar to the current scenario where EU member states (EU) delegate authority to the European Commission to negotiate their external trade relations through the Common Commercial Policy.

But chances for this are slim, experts say. “The UK government has said it won't hand over the power to decide on foreign trade matters to Brussels (EU capital). Britain will negotiate its own trade deals with various nations after Brexit with an eye on its own interests,” a highly placed source at the British High Commission said.

“It doesn’t matter what the post Brexit scenario is, since India stands a good chance to exploit the opportunity. Indian goods will compete with British goods in EU and vice versa,” Sahai said.

Betting on IT: According to a report by the British Parliament, services account for 80 per cent of the UK’s economic output and 46 per cent of exports, as of 2018-end. The UK is the world’s second-largest exporter of services by value and 41 per cent or $152 billion of its services exports flowed across the English Channel into mainland Europe. In the same year, the UK imported $116 billion worth of services from the EU.



With EU nations like Poland providing significant IT support to UK companies, Indian firms are weighing their options to push further into both markets, say sources. Interestingly, the UK and EU constitute India's second and third-largest markets for outbound IT services, which stood at $136 billion in 2018-19, according to Nasscom. “London is a major gateway for Indian IT firms entering Europe and, consequently, operational headquarters are mostly based in London," an expert said, adding that a major shakeup in existing investment and trade policy may result in Indian firms having to shift their headquarters to other nations but this will also come with significant growth opportunities.

Challenges remain: However, in its Strategic Review 2018-19, Nasscom had warned that a No-Deal Brexit may pose challenges. The easy movement of skilled workers between EU and UK has been helpful, which is not expected to hold out.

Indian companies are the largest beneficiary of ICT visas issued by the UK, according to Migration Watch UK. In a 2018 report, it flagged 16 Indian IT companies for easily moving employees from abroad to Britain. For 2017, this included TCS (6,285 visas), Infosys (2,030), Wipro (1,795) and Tech Mahindra (1,020), among others. Prime among these, were the fear of a declining British Pound, which would see IT companies earning less from existing contracts and the postponement of large projects.

Our exports should be poised to take advantage of the impending gulf that will open up in trade between the UK and the EU," a senior Commerce Department official said. The official added that the Services Export Promotion Council has been asked to study the potential of exports that can be leveraged.

Source: business-standard.com- Jan 30, 2020

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Government plans dynamic pricing for services at state-owned ports

Govt to commission study to work out the modalities of dynamic pricing

The Centre is weighing a policy to introduce dynamic pricing of services at state-owned ports, broadly following a model adopted by other consumer-facing transport sectors such as airlines and the Railways.

“Like private ports, the major ports will also be able to offer tariffs to various trades depending upon the volumes, frequency, etc. The policy will be applicable only to services, both vessel- and cargo-related, provided by the 12 major ports run by the Centre,” a government official briefed on the plan said.

Private terminals operating at major ports will not be covered under the policy.

"Currently, port trusts offer volume discounts/rebates to customers for container cargo and concession in vessel related charges to container ships after taking approval from its board of trustees. Once the dynamic pricing policy is in place, the port trusts will be able to raise or lower the rates at their discretion without going to the board," the official said.

The government will soon commission a study to work out the modalities and the mechanism for dynamic pricing of services, he said.

"The policy will allow port trusts to increase or decrease the rates based on circumstances and from customer to customer without being looked at with suspicion by the government's oversight agencies," he stated.

Port Authroties Bill

The move to adopt dynamic pricing comes as the Shipping Ministry gears to introduce the Major Port Authorities Bill in the Budget session of Parliament, seeking to convert each of the 11 port trusts into port authorities. The biggest structural reform of the state-owned ports has been in the works since the Narendra Modi-led National Democratic Alliance (NDA) government assumed office in 2014 and retained power in 2019.

Once the Major Port Authorities Bill is passed by Parliament and signed into law, each port authority would be free to fix tariff for its assets and services.

"Yet, the power to levy rates based on dynamic pricing will have to backed by a government policy," the official said.

Currently, the rates for 11 of the 12 ports run by the Centre are set by the Tariff Authority for Major Ports (TAMP), the rate regulator for the ports that are run as trusts.

Kamarajar Port Ltd, the entity that runs the port located at Ennore near Chennai, is outside the purview of TAMP because it was formed as a company under the Companies Act when it was started in 2001.

The 12 ports together account for some 53 per cent of India's external trade shipped by sea. In the year to March 2019, these ports together loaded 699.05 million tonnes of cargo, translating into capacity utilisation of 46.17 per cent.

The 12 ports have a combined capacity of 1,514.09 mt.

Source: thehindubusinessline.com- Jan 29, 2020

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Manufacturing companies may need up to 2,000 compliances under laws

Manufacturing companies in India may need to fulfil 1,984 compliances under various central and state laws, which are time-consuming and increase the cost of doing business, industry lobby group Ficci has told top government functionaries ahead of the Union Budget.

A study undertaken by the industry body has shown that the compliances, including approvals and filings, are required under 122 central and state laws, including those related to environment, labour laws, GST and the Companies Act. The issue was flagged before finance minister Nirmala Sitharaman during the pre-Budget consultations, where top officials were also present. Officials from the department for promotion of industry and internal trade were told to look into the issue, sources told TOI.

“The process can be streamlined as businesses need to go to agencies multiple times,” said Sandeep Somany, vice-chairman and MD of sanitary products company Hindware, who recently completed his term as Ficci president. He pointed to multiple environmental clearances required under various laws as an example and added that pharmaceuticals and food processing sector companies with pan-India operations may have to undertake several times more compliances.

Officials, however, said that all the compliances may not be required by all manufacturing companies. A company engaged in the engineering sector may need to comply with provisions of the Boilers Act but may not have to do anything with the Food Safety and Standards Act.

“Over the years, the idea has been to reduce compliances and move towards a system of self-certification,” said an official, pointing out that the government is looking to do away with the need for renewal of several licences.

While maximum number of compliances are required under Companies Act, GST would be at the second place if the 136 filings and approvals under Central, State and Integrated GST laws are added.

Source: economictimes.com- Jan 29, 2020

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Coronavirus: India cotton trader to stop sales to China

Kotak Commodity Services, one of India's top cotton exporters, will stop selling new cargoes to China on concern the spread of coronavirus may force the top buyer of the fiber to close ports and banks.

The Mumbai-based company will look for new buyers of cotton in countries such as Bangladesh, Indonesia, Taiwan and Vietnam to make up for any possible shortfall in sales to China, Vinay Kotak, director of the company, said in an interview by phone on Tuesday.

"Let's not panic today, but if the virus keeps spreading and is not controlled in the next 10 to 15 days then it will create a big problem for the cotton industry globally," he said. "If banks and ports are shut, then it will be a force majeure."

Sellers in India have already shipped 600,000 to 700,000 bales of 170 kilograms each to Chinese buyers so far this season and of that, about 75% is in transit, he said. Exporters were expecting to ship another 300,000 bales to China by the end of February, but that may not happen if the virus keeps spreading, Kotak said.

Any signs of disruption in cotton shipments to China could pressure prices that had been recovering from three-year lows. Though China is a huge cotton producer, it's also the world's biggest importer. It could also tighten supplies in China, where stockpiles have been declining after Beijing levied retaliatory tariffs on cotton from America, the No. 1 exporter of the commodity.

Source: financialexpress.com- Jan 29, 2020

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Welspun India bets big on flooring business

Welspun India the world's largest maker of terry towels, is now betting on the flooring business for its growth prospects.

"We believe our flooring business is going to be a game-changer in India with the kind of convenience and customisation which we are going to provide to customers and stakeholders such as contractors and the distributors and we believe flooring business is going to be our next growth engine," Altaf Jiwani, Director and Chief Financial Officer, Welspun India, told Moneycontrol.

Welspun Flooring will offer stone polymer composite luxury performance tiles, carpet tiles, wall-to-wall carpets and artificial grass. In September 2019, the company commissioned its new flooring plant in Hyderabad, with around Rs 800 crore out of the planned Rs 1,150 crore capital expenditure already capitalised. The facility is spread over 27 million square meters.

Jiwani expects the new vertical to generate sales of around Rs 100 crore in the current financial year. The tile market in India is worth Rs 35,000 crore. "This year it is more of a trial and sample of our flooring solutions, so in FY20 we should be getting a revenue of Rs 100-200 crore but in the next 4-5 years we are looking at about Rs 1,500 crores revenue from our flooring business," he said.

The company has roped in Bollywood actor Amitabh Bachhan as a brand ambassador to promote its products. Jiwani feels flooring business will help Welspun India grow in double digits.

BUDGET EXPECTATIONS

Jiwani has three expectations from the upcoming Budget.

The first expectation is a Free Trade Agreement (FTA) with the European Union, UK and US as these countries are a large market for textiles.

Free trade agreement (FTA) is a pact between two or more nations to reduce barriers to imports and exports among them. Under a free trade policy, goods and services can be bought and sold across international borders with little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.

"We expect the Finance Minister to lay down the roadmap in the Budget. But the biggest one, which we are looking forward to is the FTA and negotiation of government which can swiftly negotiate the FTA with EU with UK as well as the US, which has a large textile market," Jiwani said.

He believes once FTA is negotiated, it will open the floodgates for the new textile industry.

The second expectation is on the labor reforms front. "Our businesses are highly labor-intensive and a seasonality business. So we expect for some kind of roadmap for labor reforms or to provide kind of flexibility, so that other business loads can be managed properly," Jiwani said.

The third expectation is about Merchandise Exports from India Scheme (MEIS) which was withdrawn retrospectively.

Merchandise Exports from India Scheme (MEIS) was to offset infrastructural inefficiencies and associated costs involved in the export of goods/products, which are produced/manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India's export competitiveness.

Jiwan expects Finance Minister to announce an alternative mechanism for MEIS which will defray some of the costs (including power cost, labor cost, infrastructure cost etc) and provide a level playing field to the textile exports.

Textile is one industry which is globally competitive, but some of these costs are creating some barriers. So, once those are resolved or mitigated, we can actually become a force multiplier for the exports," Jiwani said.

From the economic perspective, Jiwani said that there is a need to induce credit flows in crisis-hit sectors such as real estate, NBFC and auto which will help induce consumption. He also expects a cut in the tax rates for individuals.

Source: moneycontrol.com- Jan 29, 2020

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