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IBTEX No. 180 of 2018 August 30, 2018

USD 70.76| EUR 82.74 | GBP 92.17 | JPY 0.63

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22565	47200	**85.88**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
23190	48508	**88.26**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	83.58	
ZCE Cotton: Yuan/MT (Jan 2019)	16,115	
ZCE Cotton: USD Cents/lb	**91.16**	
Cotlook A Index – Physical	**93.05**	

Cotton Guide: Today is the 9th consecutive trading session ICE cotton continues to trade in a very tight price range. Market is moving in the band of 80.60 to 84 cents per pound. On Wednesday the counter closed at 82.76 cents. No major development in the market hence it has gone into a very sideways zone. In fact the daily 5-day trading volatility has come down to near 14% which used to be above 30% a month ago. The subsequent months are also in the similar manner.

The macro factors are keeping the cotton markets jittery so a sideways trend is being felt. US equities closed at all-time highs in the S&P 500 and NASDAQ Indexes for the 4th consecutive session. The 2nd quarter GDP number stood at 4.2% slightly higher than expectations. Investors are also optimistic on trade negotiations with Canada adding to this week's promising results with Mexico.

Meanwhile, China and Turkey trade negotiations will remain key factor for the cotton industry. While hopes are high for a good outcome, the uncertainty has put many traders on the sidelines.

This morning ICE Cotton is seen trading at 82.85 up by 0.11% and believe the trade set up will continue to remain in the same range. For the day the trading range would be 82.30 to 83.70 cents per pound.

In the evening the US weekly export sales report is schedule. The detail of the report is linked here. US Export Sale Report

From India the range of prices for 2017-18 remaining crop Shankar-6 traded steady with an average of Rs. 47800-47600 per candy, ex-gin (86.45 US cents per lb at the prevailing exchange rate). Quotes for Punjab J-34 are also unchanged at Rs. 4,800 per maund (83.00 cents per lb). The rupee has hit a new all-time low against the US dollar. This morning on Thursday the currency is trading at 70.75 per one US dollar.

For detailed report please get in touch with Kotak Commodities Research Desk.

FX Update: Indian rupee has depreciated by 0.3% to hit a fresh record low level of 70.815 against the US dollar. The US dollar continues to trade higher amid general optimism about US economy which further strengthens the case for Fed rate hike. US Q2 GDP growth estimate was revised up from 4.1% to 4.2% as against market expectations of a reading of 4%.

Also weighing on rupee is higher crude oil price. Brent crude trades higher above $77 per barrel amid bigger than expected decline in US crude oil stocks and worries about Iranian supply. Choppiness in equity market amid worries about US-China trade dispute is also weighing on rupee. Rupee may remain under pressure on general US economic optimism. USDINR may trade in a range of 70.4-71.1 and bias may be on the upside.

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

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INTERNATIONAL NEWS

China's JD.com turns to Google, Walmart to build global e-commerce empire

Richard Liu built an e-commerce giant in China by tapping into the nation's appetite for technology. As his JD.com Inc. sets its sights on global expansion, he's turning to others for help: Google and Walmart Inc. Just a few months after Google bought a $550 million stake in JD, Liu said he's in the early stages of strategic planning with the search giant to win customers outside its home market. Walmart will work with JD to expand operations in China, the U.S. and South East Asia, Liu said.

JD ranks behind only Alibaba Group Holding Ltd. when it comes to e-commerce in China and has started pushing into physical stores in the country, although its incursions overseas have mostly been limited to Thailand, Indonesia and Vietnam. But Liu has his eyes on the affluent consumers of Europe and the U.S. as he makes substantial investments in the infrastructure needed to supply millions of customers around the world.

"Our ambition is to expand our supply chain ability to the whole world – to connect any brand, any goods and any consumer globally," Liu said in an interview at a business event in Aspen, Colorado last month.

Walmart and JD have already teamed up in China as Liu agreed to buy the U.S. company's online operations in the country. In return, the Bentonville, Arkansas retailer bought a stake in the business. Walmart also co-led a $500 million fundraising in August for JD affiliate Dada-JD Daojia, which connects fleets of motorbike delivery staff with merchants in hundreds of Chinese towns and cities.

Liu said that while its partnership with Walmart would be global, any work with Google would be "mostly focused outside of China." Most of Google's services are either blocked or unavailable in China.

His initial edge over Amazon.com Inc. and other foreign rivals would be the ability to bring cheaper, high-quality Chinese goods abroad followed by the expansion of its supply chain, he said. The international push comes at a challenging time, with JD shares slumping amid rising costs, competition and an expensive expansion that now sees the company operate 11.6 million square meters of space across 521 warehouses in China.

Wayne Peters, chairman of Peters Macgregor Capital Management and a shareholder in JD.com, said that investment is an incredibly valuable asset for the company's future.

"Richard under-promises and over-delivers," said Peters. "What we like are CEOs who look to the long term. We're more interested in that than those who are just interested in beating the street. "

Liu's high-spending strategy also has plenty of detractors, especially those who see unfinished business in China. JD's share price hit a record high in January only to tumble more than 35 percent since then after failing to deliver the full-year profit that many analysts had expected. In the June quarter alone, the company had a net loss of 2.2 billion yuan.

Kok Hoi Wong, the chief investment officer for APS Asset Management Pte in Singapore, points to the massive profits generated by Alibaba and its willingness to throw cash at winning over Chinese consumers as proof that competition is getting harder for JD.

"JD must get its act right in China, turn it around and make it profitable before it expands internationally," said Wong, a frequent critic of the company. Brutal competition among hundreds of e-commerce players means business is tough for all online retailers and "we will see more blood before we see more profit." he said.

JD's business model is more akin to Amazon than Alibaba. It holds and sells its own inventory and also allows other vendors on its platform while its larger Chinese rival provides a marketplace for merchants and makes most of its money from advertising and marketing services.

Liu expects some changes to his business as it goes overseas, accepting the need for different models. Simply replicating its China strategy and launching a service in a foreign country won't work.

"If we want to convince American consumers to download JD's app and buy, I think it will be hard. But the good thing is U.S. has Twitter, Instagram and

Facebook – a lot of social media," said Liu, adding he wants to partner with those social networks in particular.

Liu knows the value of an online platform: WeChat operator Tencent Holdings Ltd. is its biggest shareholder.

Liu is in the process of opening more offices and adding warehouses across Western Europe and will form a strategy for selling products in the region this year, Liu recently told German publication Handelsblatt. Within two years JD will cover all of Southeast Asia, he added.

At home, JD has a goal of 1 million convenience stores within five years largely via a franchise model. But the founder said he also wanted 30 7Fresh supermarkets completed by the end of 2018 and that it will also expand into JD-branded furniture, electronics and home appliances chain stores with names like "JD Home."

But it's a vision Liu knows will take some time to build.

"We will spend another 10 or maybe 20 years to expand to the whole world. So you cannot achieve a goal within three years or five years," he said, adding that he thought JD was a better bet than Alibaba. "From an investor perspective it is – more space for tomorrow."

Source: fashionatingworld.com- Aug 28, 2018

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Canada Aims for NAFTA Deal This Week But "Huge" Work Remains

Canadian Prime Minister Justin Trudeau said his government is trying to reach agreement this week with the U.S. to update the North American Free Trade Agreement, but it won't sacrifice its goal of getting the "right deal."

"The Americans and Mexicans very much want to try and get things done by Friday and we're seeing if we can get to the right place by Friday, but as I've said all along it has to be the right deal for Canada and that's what we are staying firm on," Trudeau told reporters Wednesday in Kapuskasing, Ontario.

“We’ve been very clear we’re going to be thoughtful, constructive, creative around the table but we are going to ensure that whatever deal gets agreed to is the right deal for Canada and the right deal for Canadians.”

Earlier Wednesday, Canadian Foreign Minister Chrystia Freeland also expressed optimism, but said much work remained to be done to iron out the details.

“There are some important things that we believe we have accomplished together with the U.S. and thanks to some significant compromises Mexico was prepared to make to support Canadian workers,” Freeland told reporters Wednesday in Washington after morning meetings with U.S. Trade Representative Robert Lighthizer.

“When it comes to specific issues, we have a huge amount of work to do this week at the ministerial level and also the officials are really grinding through extensively,” she said.

The Canadian dollar pared losses after Freeland’s comments, and was trading little changed at C$1.2923 per U.S. dollar at 1:10 p.m. in Toronto trading. It had been down as much as 0.2 percent earlier in the day.

Freeland said she’s planning to meet with Lighthizer again at 5 p.m. on Wednesday.

Canada’s dairy market is a focal point for Wednesday’s negotiations, a U.S. official familiar with the negotiations said. Trump has repeatedly deemed Canadian tariffs on some dairy products as unfair for U.S. producers.

Trudeau on Wednesday restated his position of defending the “supply-management” system that controls production of some Canadian farm products like dairy.

Freeland said the U.S. and Canada agreed to not negotiate the unresolved details publicly.

The U.S. is pressuring Canada to strike a deal by Friday, which is when President Donald Trump’s administration plans to inform Congress that he intends to sign a new trade pact with Mexico in 90 days that would replace Nafta.

This week's showdown has Canada under the gun to either strike a deal both can live with, cave to Trump's pressure tactics or dig in and see what the U.S. will do.

U.S.-Mexico deal

The U.S. and Mexico announced a bilateral deal Monday after weeks of talks with just the two nations. Under the proposed agreement with Mexico, cars will be required to have 75 percent of their content originate in the U.S. and Mexico. The current Nafta requires that 62.5 percent originate within North America. Under the new deal with Mexico, 40 percent to 45 percent of auto content would have to be made by workers making more than $16 per hour, a condition that favors the U.S. and Canada.

Trump is now using that agreement to pressure Canada to come on board or be left out.

Earlier Monday, Freeland expressed support proposed changes to Nafta's rules for car content. "Rules of origin in cars is an incredibly complicated issue, but we had reached a high-level agreement with the U.S. in the spring, and we are encouraged by the progress they made with Mexico this summer," the minister said. "Mexico has made some significant concessions which would be really good for Canadian workers."

The U.S. made clear that the deadline for an agreement in principle is Friday, with no wiggle room, one official said. Despite U.S.-Mexico progress, hurdles remain for Canada, although markets are betting a deal will be reached that includes Ottawa even as Trudeau's political rivals begin to blame him for risking Nafta's collapse.

Freeland said Tuesday it will be an "important and constructive week" and that Canada was encouraged by progress made without them.

The U.S. has told Canada they've already compromised on the issue of the sunset clause, which was a sticking point for Canada, and that they hope that helps pave the way to a quick deal, one of the U.S. officials said.

Trump is prepared to move forward with Mexico alone, on the belief that Canada has more to lose from such an arrangement, the officials said.

There are also warnings that U.S. trade law will prevent, or impede, Trump from ramming ahead on a quick timeline with only a two-country deal, and key figures in Congress are calling for Canada to be included. Trump has threatened to apply auto tariffs to Canadian exports if a deal isn't reached.

The nations are pushing to sign a deal before Mexico's president-elect takes office Dec. 1. Due to timelines set out in U.S. trade law, the U.S. would need to notify Congress of a deal by Friday, Lighthizer said this week. However, he said a notification could be sent that left open the possibility of Canada reaching a deal sometime after Friday.

Commerce Secretary Wilbur Ross said on Tuesday that it's likely the deal will be voted on next year after congressional midterm elections in November.

Source: sourcingjournal.com- Aug 29, 2018

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Vietnam: Supply chain optimisation boosts Vietnam garment firms' competitiveness

The concept of global supply chains is not unfamiliar to import and export enterprises in the context of the Vietnamese economy becoming a market economy and international integration during the past 30 years.

However, most Vietnamese enterprises, especially garment and textile firms, only participate in secondary supply chains with low added-value.

According to Nguyen Van Nam, director of the Research Institute for Brand and Competition Strategy, the outstanding disadvantages of the Vietnamese supply chain are its backwardness and lack of consistency.

At present, only 21 per cent of small- and medium-sized enterprises are part of the global supply chain, while the figure is 30 per cent in Thailand and 46 per cent in Malaysia.

The logistics expenses of domestic enterprises is double or triple of those in a number of countries with similar economic conditions to Vietnam.

The expanded costs on logistics have hugely affected the segments of garment and textile, footwear, and electronics that employ a large number of labourers and run huge exports and imports, are hugely dependent on input, and have produce low added value.

According to Vietnam Textile and Apparel Association (Vitas), as of the end of 2016, logistics costs accounted for one-third of selling prices.

To resolve the issue, many firms apply technology to better manage warehousing as well as optimise their supply chains. Accordingly, commonly used technologies are backing up the bills and contracts, and automatically transferring documents between firms.

Pham Kien Cuong, business development vice manager at Vinafco JSC, a logistics firm established in 1987, said that applying technologies to the supply chain will save 5 per cent of the firm's costs, expenses will be narrowed to 0 per cent, and personnel will be reduced by 25-30 per cent.

However, Cuong also told VIR that despite the huge advantages, the number of garment and textile firms applying technology to their supply chains is very small.

"Garment and textile products are quite simple and easy to manage, which is different from electronic products that require high accuracy. Therefore, garment and textile companies rarely invest in their management systems and only focus on buyers," Cuong explained.

"Garment and textile firms will receive huge benefits from applying technology to their whole logistic systems. However, only applying technology to warehouse management do not help them save costs." Cuong added.

Along with the investment in logistics, applying the lean management model is another optimal solution to optimise the supply chain.

According to Nguyen Dang Minh, chairman of the Advisory Board of GKM Lean Institute (GKM Vietnam Co., Ltd.), at present, 15 per cent of garment and textile firms apply lean management models in their operation and started to reap the sweet fruits, including Garment 10 JSC and Hung Yen Garment Corporation.

However, if they only apply mechanically lean management models from other countries without making changes to suit the Vietnamese environment, they will only be able to exploit 70 per cent the method's value.

Minh added that the "Made in Vietnam" lean management model developed by Vietnamese people suits all industries in Vietnam, including the garment and textile industry, which employ a massive number of people, because this model focuses on changing people's mindset.

By the way, the model revolves around gaining profit or creating added values for the company by utilising the employees' intellect to continuously improve the business process and minimise costs. In order to increase profit, firms have to keep constant revenue flows or accelerate the company's income gradually, while at the same time reducing and eliminating waste as much as possible.

However, the model is just one solution, the important thing is to shift the mindsets of company leaders and employees, which requires huge commitment and determination.

Source: vietnamnet.vn- Aug 29, 2018

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Canada explores free trade with southeast Asian bloc

Canada wants free trade with the ASEAN bloc, Trade Minister Jim Carr said Monday on the eve of a trip to Thailand and Singapore for "exploratory" talks.

His comments follow a breakthrough in US-Mexico bilateral talks to revamp the North American Free Trade Agreement (NAFTA) that saw Foreign Minister Chrystia Freeland interrupt a European trip to rejoin trilateral NAFTA negotiations in Washington.

Carr on the August 28-30 trip will look to promote bilateral trade and investment with Thailand and Singapore -- which, along with Canada, is expected to soon ratify the Trans Pacific Partnership -- and press for free trade with the Association of Southeast Asian Nations (ASEAN).

"Expanding into the Southeast Asia region will help Canadian-owned businesses access one the world's fastest-growing markets," he said in a statement.

Canada and the EU provisionally entered into a free trade pact last September, as NAFTA appeared to falter and the US exited from the Trans Pacific Partnership.

A deal with the ASEAN bloc, which includes Thailand, Malaysia, Singapore, Indonesia, Philippines, Brunei, Vietnam, Laos, Burma and Cambodia, would give Canada access to 650 million consumers.

Ottawa is also eying free trade with Argentina, Brazil, Paraguay and Uruguay, which form the Mercosur bloc, and has suggested a trade deal with China is also in the works, which if successful would make Canada the first Western nation to do reach a free trade deal with Beijing.

Source: france24.com- Aug 27, 2018

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Brexit, slowdown in UK high street sales affect sourcing

The impact of Brexit, the change in consumer demand for clothing and the slowdown in high street sales in the United Kingdom are among the factors that are affecting sourcing of both textiles and garments there, according to Linda Laderman, co-founder and organiser of Textile Forum, London's premiere sourcing event for luxury fashion fabrics.

The event, which attracts fabric buyers from major fashion retailers and brands, established independent design businesses and start-ups, tailors, craft shops, seamstresses and costumiers, has witnessed an increase in exhibitors from Italy, Spain and India in recent times, Laderman told Fibre2Fashion in an interview.

Source: fibre2fashion.com- Aug 29, 2018

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Thailand Exhibition targeting US$1bn trade to open on Sept 1

A three-day single country Thailand Exhibition, eyeing to enhance existing US$1 billion bilateral trade and expecting around 50,000 visitors from all walks of life, will be opened on September 1 at Pearl Continental Hotel, Karachi.

Karachi Chamber of Commerce & Industry (KCCI) President Muffasar Atta Malik will inaugurate the event as chief guest along with Royal Thai Consulate-General, Karachi Consul General HE Suwat Kaewsook and Thai Government's Ministry of Commerce Thai Trade Centre Director Suebsak Dangboonrueng.

The exhibition is organised by the department of international trade promotion, the ministry of commerce and Thai government with the support of Thai Consulate-General, Karachi and is being managed by Event and Conference International Pvt. Ltd.

In a statement issued here on Wednesday, Thai Government's Honorary Trade Advisor to Ministry of Commerce Arif Suleman informed that the exhibition will accommodate 50 companies with more than 10 categories of products including hardware, car paint, machinery/rice mill, food and beverage, household products, water purification, home textile products, footwear, health and beauty products, medicine and herbal products, motorbike parts, party accessories, jewelry cleaner and electrical appliances.

He further said that this exhibition is a distinctive effort of the department of international trade promotion of Thai government to expand opportunities to the business communities of both countries, which will consequently strengthen the economic relations.

There is an immense potential in trade between two countries and the trade has increased to US$1 billion approximately within few years, he said. He added that this event will provide opportunities to business communities from both countries to enhance this trade further.

Major exports from Pakistan to Thailand are yarn and fibers, chemicals, finished oils, edible meat etc. while the main imports from Thailand are household products, food items, beverages, medicines, cosmetics, herbal products, motorcycles and auto parts and rubber products etc., Arif Suleman added.

Source: profit.pakistantoday.com.pk- Aug 29, 2018

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Pakistan: Textile exports remain lackluster

Textile export numbers for the month of Jul-19 have disappointed to say the least. The provisional numbers released by the Pakistan Bureau of Statistics (PBS) show negligible growth on a year-on-year basis in the first month of the new fiscal year.

Textile Exports (Value)			
USD (Mn)	Jul-19	Jul-18	YoY
Cotton yarn	117	109	7%
Cotton cloth	144	160	-10%
Knitwear	209	194	8%
Bed wear	165	171	-4%
Towels	52	51	2%
Readymade garments	211	212	0%
Total	1002	1006	0%

Source: PBS

And when compared to textile exports for Jun-18, the number has actually fallen by almost 16 percent on a month-on-month basis. So what will it take to revive the slumbering sector? Depreciation of the rupee was a major demand of textile players. However, despite more than 18 percent being wiped off the rupee value, the rebound hasn't exactly happened.

But industry stakeholders argue that the coming months will show better performance by the sector and claim many exporters realised a high number of orders in the final month of the last fiscal year i.e. Jun-18 to avail incentives earlier.

Textile Exports (Quanity)			
Quantity	Jul-19	Jul-18	YoY
Cotton yarn (M.T)	42,767	45,618	-6.2%
Cotton cloth (Th.Sqm)	144,621	147,894	-2.2%
Knitwear (Th.Doz)	9,195	7,529	22.1%
Bed wear (M.T)	26,576	26,568	0.0%
Towels (M.T)	15,129	13,456	3.0%
Readymade garments (Th. Doz)	3,648	3,914	-6.8%

Source: PBS

It is not yet clear how the PTI government will manage to revive the sector. Unarguably, rising cost of production is a bane for manufacturers and exporters.

But given the precarious twin deficit situation, it will not be a simple task to just reduce the utility tariffs for the industry.

In its textile policy, PTI has called for electricity prices to be revised downward to USc7.5/KWh. Similarly, it also proposes for a uniform gas rate across the country at rate of $6.5/MMBTU.

Then there is the raw material procurement which has become tedious and costly. This newspaper has highlighted the illogical protection afforded to polyester players and the even more stupefying re-imposition of duty on imported cotton. (Read: Textiles: paying for polyester protection and Leave imported cotton alone)

The area under cultivation of local cotton has gone down and the cotton production target was missed by 8 percent in FY18 while by an even wider margin of 30 percent and 25 percent in FY16 and FY17 respectively. The current year is likely to be no different when it comes to a shortfall of the required 16-17million bales by the local industry.

These issues aside, the private sector also needed to make a concerted effort to bring the level of productivity and innovation on par with international peers. Barring the major players, the industry has seen hardly any balancing, modernisation and replacement (BMR) activities in the past decade. Innovation has also been missing with experimentation with new fabric varieties far and few in between.

Source: brecorder.com- Aug 29, 2018

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Pakistan: 14m cotton bales production expected

Cotton crop output during the current season was expected to cross 14.23 million bales as the area under crop cultivation had witnessed over 2 percent increase during the period under review as compared the same period of last year.

Due to favorable weather conditions, suitable climate position for crop, better management and low intensity of pest attack in the Punjab and Sindh province as compared the last year were indicating significant growth in output, said Cotton Commissioner Dr Khalid Abdullah.

Talking to APP here on Tuesday, he said that white fly attacks on cotton crop in the Punjab had reduced from 17 percent to 12 percent, where as jassid 13 percent against 15 percent of the last year.

The pest attack including cotton mealybugs, pink ball worm also reduced and it was reported at 23 percent as compared the 27 percent of same period of last year, he observed.

However, he said that the cotton crop in the Sindh had remained under water stress due to bellow normal rain falls in crop growing areas of the province, where as the water situation remained satisfactory in Punjab, which had supplemented the over all output for the season.

Dr Abdullah further informed that due to water stress, the overall 5-10 percent yield in Sindh was expected to reduce, adding that prices of local produces was remained stable and encouraging the growers.

The prices of above mentioned commodity in the international markets were recorded at 91 Cents, where as in local markets it was sold at Rs 4,000 per 40 kg, Cotton Commissioner added.

It may be recalled that cotton crop had been sown over 2.69 million hectares of land as against the fixed targets of 2.95 million hectares in order to produce over 14.37 million cotton bales during the crop season 2018-19.

The crop cultivation targets, which fixed for the current sowing season were achieved by over 91 percent as it went up by 2 percent as compared with the area under cotton crop cultivation during same period of last year.
Over all cotton sowing in the Province of Punjab registered about 11 percent growth as it had cultivated the crop over 2.29 million hectares of land as against the set targets of 2.31 million hectares for the period under review.

However, crop sowing in the Sindh Province was decreased by 31percent and attributed the low sowing trend with dry weather during the crop sowing time as well as shortage of water for crop irrigation.

Source: nation.com.pk- Aug 29, 2018

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NATIONAL NEWS

Crunch time for India at meet on mega free-trade agreement

With India's commerce minister Suresh Prabhu headed for Singapore on Thursday, it's crunch time for India regarding its future status in the Regional Comprehensive Economic Partnership (RCEP), a mega free trade pact that would cover 16 nations, including the 10 member-countries of Asean.

At the key trade ministers' meeting, Prabhu will convey India's position as conveyed by PM Narendra Modi who had set up a four-member ministerial group to tackle the issue.

Given that India has been dragging its feet for so long and holding up the deal, some Asean nations have asked Singapore, the current chair, to give New Delhi an ultimatum — either it steps up or they would go without it. The Asean summit in November in Singapore is expected to announce "substantial agreement on key points" of the deal. Officials say that the actual signing of the deal is expected in 2019.

India has already climbed down from its maximalist positions on goods trade. But New Delhi is insisting on services deals that cut across the entire spectrum. Despite India joining up for the negotiations, there is a strong lobby within the Modi government that wants New Delhi to pull out of the deal. They say India already has an FTA with Asean, Japan and South Korea while it is in the process of negotiating one with Australia and New Zealand.

That leaves only China, where India should not give any quarter, given the ballooning trade deficit. Hence, they say its better to stay out. They point to the US renegotiating its own trade deals. However, India's global trade footprint is less than modest, so it has less elbow room.

China, already outside the erstwhile Trans Pacific Partnership (TPP) and engaged in a trade war with the US, finds RCEP a good way of establishing its economic sovereignty in the region. Diplomatic sources say that some of China's allies in Asean have been raising the demand to throw India out.

For India, getting out now would be a blow to its economic and strategic future in the region. Modi's Indo-Pacific strategy is seen as a counterpoise to China's aggressive expansionism in the Asian region.

That strategy is underpinned by a trade regime where Asean and East Asian countries are already closely connected to China. If India wants to be seen as an alternative, it also has to be seen as an economic alternative.

While dealing with any negotiation, India First and But made in India should be the goal. Indian companies are not able to establish themselves in Chinese market due to army rules and stringent trade... Read MoreTeri gmd

Trade experts say post RCEP, India's FTAs with the Asean members may be overtaken by the lower tariffs of the regime. That would be a blow to Modi's domestic manufacturing programme. Most important, they say, RCEP will allow India access to Chinese market. Without the deal, China would still be in the Indian market, but India would find the Chinese market more closed than before.

Besides 10 Asean (Association of Southeast Asian Nations) countries, RCEP will comprise their FTA partners — India, China, Japan, South Korea, Australia and New Zealand. It will cover nearly 40% of the global GDP and over 42% of the world's population.

Source: timesofindia.com- Aug 30, 2018

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India's textile sales likely to rebound on retail growth in US

The healthy quarterly results of US retailers Walmart and Target can have a bearing on India's Indo Count Industries and Welspun India

The US market for textiles is vital to the health of local textile exporters. After a turbulent time in FY18, the market is gradually improving. Walmart Inc. and Target Corp., large retailers in the US, reported their best quarterly performances in recent years. This has created hope that measures taken by traditional retailers to combat industry changes (such as a consumer shift to online retail) are beginning to yield results.

The US-based National Retail Federation (NRF) raised its retail sales forecast for the year, citing a strengthening economy. The trade association now expects 2018 retail sales to increase at a minimum of 4.5% over 2017 compared to the 3.8-4.4% range forecast earlier. “Higher wages, gains in disposable income, a strong job market and record-high household net worth have all set the stage for very robust growth in the nation’s consumer-driven economy,” said NRF in a statement.

Validating the commentary, a senior executive at a local textile exporter said the industry is returning to growth trajectory after several quarters of weak sales. The domestic exporters have alluded to the recovery during the June quarter results. But conviction among investors was low as financial performance remained unimpressive. Earnings of most companies trailed estimates even as firms such as Indo Count Industries Ltd and Welspun India Ltd reported healthy volume growth.

Motilal Oswal Securities Ltd, for instance, pegged its FY19 volume growth estimate for Indo Count Industries at around 5% compared to the management guidance of 7-11%. “We remain cautious on account of a slower-than-anticipated recovery,” it said.

Perhaps the recovery needs more validation. US merchandise import data capturing the coming holiday season sales needs to show an increase. As market disruption took its toll, India’s share in total home textile exports to the US fell by a percentage point in the first five months of this year, shows data compiled by JM Financial Institutional Securities Ltd. According to an analyst with a domestic broking firm, the market share losses began to subside with cotton sheets gaining a foothold from June.

The volume recovery should also translate into earnings. Despite healthy volume growth, Indo Count Industries and Welspun India’s earnings remained weak as reduction in export incentives, high cotton costs and low realizations impacted performance. The depreciating rupee may provide some relief. But as an analyst with a domestic broking firm pointed out, obtaining quality cotton at benchmark rates can be a challenge given the pest attacks and reduced crop acreage.

Improving US retail sales have raised the prospects of a recovery in performance of home textile exporters. However, clarity on the pace of recovery and earnings improvement is what will determine if investors in these companies also benefit.

Source: livemint.com- Aug 30, 2018

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55 tehsils in Vidarbha declared 'cotton growing'

Tehsils with cotton production of 9,600 tonnes per annum declared 'cotton growing' ones

Of a total 115 such tehsils in Maharashtra, as many as 55 are in Vidarbha region alone

Under the new Textile Policy, which will be implemented between 2018-23, State Government has declared 'cotton growing' tehsils in Maharashtra. Accordingly, total 115 tehsils are cotton growing. Of these, as many as 55 are in Vidarbha region alone.

As per the decision announced officially on Tuesday, these tehsils have been declared as 'cotton growing' ones as the cotton production there is 9,600 tonnes per annum. This much of cotton production is needed to sustain a co-operative spinning mill. The objective of the decision is to identify the tehsils where co-operative spinning mills could be set up under the new Textile Policy.

As per the norms, a co-operative spinning mill with capacity of 25,200 spindles requires 28,800 bales of cotton per annum. As one bale is 170 kg of cotton, total 28,800 bales will mean 4,896 tonnes of cotton.

To sustain, a co-operative spinning mill requires 4,896 tonnes of cotton per annum. Else, it will face problem of availability of cotton. Considering this calculation, State Government's Co-operation, Marketing, and Textile Department has set the norm of setting up a co-operative spinning mill under the new Textile Policy in tehsils where cotton production is double the above-mentioned requirement per annum.

The decision of declaring 115 tehsils as 'cotton growing' based on the above parameter, will have a long-term impact on growth of textile sector in a planned manner. In the past, spinning mills were set up in parts of Maharashtra that were not cotton producing.

Thus, the cotton belt was deprived of the natural opportunity for growth of textile sector. With the new policy, the present-day Government has taken a bold step to ensure that foundation of properly planned cotton-to-cloth chain development is laid.

The number of 'cotton growing' tehsils in various districts are as follows: Jalgaon -- 15, Ahmednagar -- one, Aurangabad and Amravati -- nine each; Jalna, Nanded, and Akola -- seven each, Beed -- five, Parbhani and Nagpur -- six each; Hingoli -- two, Buldhana and Wardha -- eight each; Yavatmal -- 13, and Chandrapur -- four. Jalgaon and Yavatmal are the districts with the highest number of 'cotton growing' tehsils.

The list of 'cotton growing' tehsils will be reviewed every year, and the tehsils with over 9,600 tonnes per annum cotton production for two consecutive years will be included.

Source: thehitavada.com- Aug 29, 2018

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Weavers fume over denial of ITC

Industrialists in the powerloom weaving sector have alleged that the Tax Research Unit (TRU) under the union ministry of finance issued a notification denying the utilisation of accumulated input tax credit (ITC).

By doing so, they superseded the decision taken in the 28th meeting of the GST Council to allow refund of ITC on fabrics. Weavers said they are in possession of the minutes of meeting (MoM) of the decision taken at the GST Council meeting on July 21.

In the meeting, it was decided to allow refund of accumulated ITC because of inverted duty structure on the MMF fabrics, which attracts 5% GST. It was also decided that the ITC shall be allowed only with the prospective effect on the purchase made after the notification is issued.

According to the weavers, a meeting was held under the chairmanship of finance minister Piyush Goyal along with revenue secretary Hasmukh Adhia, textile minister Smriti Irani and members of the textile industry from Surat on July 20.

It was unanimously decided that accumulated credit of the past period will not be refunded, but income tax will be levied on the credit amount up to July 2018. The refund of accumulated ITC would be allowed on the inputs after August 1.

President of Federation of Gujarat Weavers Association (FOGWA), Ashok Jirawala, said, “This is an injustice to the powerloom weavers. Even the decision taken at the GST Council is reversed in the circular issued by TRU.

This will have a wider implication on the entire powerloom industry. We want that the TRU should follow the decision taken at GST Council meeting and re-issue the notification on ITC refund.”

Ashish Gujarati, a powerloom weaver, said, “TRU has literally superseded the GST Council, Prime Minister Narendra Modi and finance minister Piyush Goyal by not allowing the utilisation of accumulated ITC.

If ITC lapses, it will affect the profit and loss account and balance sheet of majority of textile units for financial year 2018-19.”

Source: timesofindia.com- Aug 30, 2018

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Industry challenges impact export-focused home textile companies in Q1 FY19

India's export-oriented home textile companies have been caught amid a myriad of challenges of late. This fact was clearly visible in their weak financial performance in the quarter gone by, as seen in the tables below:

While the rupee’s depreciation against the dollar in the recent past could offer some respite to these companies, the near-term outlook for the sector as a whole is far from promising. Here’s why:

Competition

Stiff competition from other home textile exporting nations such as China, Vietnam, Pakistan and Turkey is expected to continue. Barring the yuan, currencies of other countries currently trade at a steep discount to the dollar.

The rupee, despite its current weakness vis-a-vis the dollar, is on a much stronger footing versus currencies of most developing nations.

Consequently, it can be hard for India's home textile players to compete against foreign counterparts in terms of gaining market share in the US. What adds to Indian companies' woes is the relatively low electricity, labour and fixed overhead costs in competing countries.

Cost inflation

Raw material (cotton) prices have been on an uptrend in India since quite some time, and no price respite may be visible in the foreseeable future. According to the Cotton Association of India, cotton production is likely to decline by 3-4 percent this year to 350 lakh bales.

The reduction is attributable to low rainfall in key cotton growing states such as Gujarat (which affects sowing patterns), a decline in acreage, outbreak of pink ballworm infestation on crops, and focus on other cash crops by farmers (especially in Andhra Pradesh, Maharashtra, Karnataka and Punjab).

For home textile majors, passing on such cost hikes to importers is difficult because products, more often than not, are commoditised in nature.

Weak offtake

In the US, which is the biggest market for home textile exports from India, financial position of some offline retailers hasn't been too encouraging. This is predominantly because of heightened threat from e-commerce players out there, which has forced many brick-and-mortar outlets to shut shop and file for bankruptcy.

As a result, demand for home textile products from their end may remain sluggish for quite some time. Contract renegotiations may get trickier for India's home textile majors in view of the ongoing tough market conditions.

Established US-based retailers are realigning and restructuring business models by cutting down inventory. Instead of following the erstwhile policy of receiving monthly consignments, they are moving to the weekly orders system, which eventually increases working capital costs of suppliers (ie. India's home textile companies).

Outlook

Leading home textile markets for Indian exporters (primarily North America and Europe) witness strong demand traction in H2 of a fiscal due to the onset of the festive/wedding/holiday season. Hopefully, this will help Indian textile companies offset existing subdued scenario.

From a company-specific perspective, a lot would depend on the pace at which utilisation levels at manufacturing centres scale up. This factor, besides being a key indicator of the order book strength and probable demand trajectory, is extremely crucial in terms of aiding margin expansion.

An equally important aspect to look at is how quickly funds invested in capex start translating into cash inflows. Home textile majors, historically, have been investing heavily in building capital assets for a wide variety of purposes.

These include achieving the benefits of backward integration (manufacturing yarn/fabric), increasing existing product manufacturing capacities, adding capacities to manufacture new products, saving power costs, facilitating technological upgradation, undertaking equipment maintenance or a combination of these.

Regional diversification is also the need of the hour given the high degree of dependence of Indian home textile companies on the US market.

Any stock that merits attention?

The undemanding valuations and inability to deliver significant price returns over an extended period of time is indicative of the bearish sentiment harboured by D-street towards home textile majors.

Notwithstanding the challenges mentioned above, in our view, Himatsingka Seide appears better placed to tackle industry headwinds compared to its peers and has good fundamentals to back its plans.

Himatsingka manufactures bed sheets, pillow covers, fabric (drapery and upholstery variants) and ultra-fine count yarn (constitutes a very nominal percentage of the annual turnover).

The company's retail and distribution arm caters to private labels of major retailers across North America, Europe and Asia.

To explore the bath linen space, Himatsingka will commence operations at its 25,000 metric tons per annum terry towel manufacturing factory from Q4 FY19.

A gradual increase in efficiency at its expanded 23 million metres per annum (mmpa) bed sheet manufacturing unit, which was commissioned back in H2 FY17, should provide an added impetus to the company's top-line.

An uptick in utilisation rate at Himatsingka's ultra fine count yarn spinning facility (set up in H2 FY18), coupled with higher contribution of private label and premium brands to overall revenue, will be critical in boosting margins. The company is also involved in talks with new European retailers for export orders.

However, interest and depreciation costs are anticipated to be higher in FY19 because of investments directed towards establishing the terry towel unit.

GST-induced blockage of funds is another bottleneck that ought to be addressed. Realistically, a noticeable increase in earnings will be seen only starting FY20.

Source: moneycontrol.com- Aug 29, 2018

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Indian garment manufacturers need to speed up to grab global business

As India aims for 20 per cent yearly growth in exports over the next decade, Indian manufacturers need to develop a business strategy that can help the country to succeed in the US and European markets. In 2025, global trade in the textile and apparel market will cross $1.2 trillion. China has nearly 40 per cent share in global exports.

However, in the past few years, the country is experiencing a downward trend in apparel exports and has vacated nearly $30 billion worth of space in global trade.

Growth in global trade and China's shrinking exports share present a lucrative opportunity for other countries with competitive manufacturing facilities.

India can become one of the biggest gainers in the changing landscape of global apparel trade. Drip Capital offers insights into some of the intriguing aspects that can make India a global textile destination.

The prerequisites

Today, fair trade has become a prerequisite to sustain globally. Fair trade advocates expect that everyone in theIndian garment manufacturers need to speed up to grab global business 1 value should earn enough to fulfill basic household needs, regardless of volatile market prices. Environment sustainability is also a big concern and consumers in the West want products that are made judiciously.

Indian manufacturers can stand out by positioning themselves as practitioners of Fairtrade. Environmental stewardship and labour-friendly working conditions can become India's USP.

If India is to achieve close to 20 per cent yearly growth in apparel exports, manufacturers have to invest in skills training and process improvement to match global competitiveness. In recent times, there has been increased focus on skill development but these initiatives need to scale up. If the Indian garment industry remains at same productivity levels, they would need 35 million more workers to fulfill the new demand, which is nearly impossible.

The objective should be to match the productivity levels of China in a few years, average output per hour and per machine output both in terms of quality and quantity. Indian policies make it difficult to import the fabric needed to produce winter or some specific garments.

Locally, the textile industry is focused on cotton which leaves the exporters with no material to produce such products. This policy to protect the demand for local cotton producers is perhaps doing more than good.

Source: fashionatingworld.com- Aug 28, 2018

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India's handicrafts exports should tap new markets: Ajay Tamta

To extend India's exports to countries where we have little or no business, exhibitions and trade fairs can play a vital role in showcasing the country's potential, said Minister of State for Textiles, Ajay Tamta.

Speaking at a press conference to highlight India as a partner country for Ambiente 2019 organised by Messe Frankfurt, Tamta said such exhibitions serve as a perfect opportunity to showcase India's strength in craftsmanship.

"We export to the US and countries in Europe, but we are mission from a few countries. This will allow our exporters to tap new markets. From soil to metal, we have skilled craftsman for everything and Ambiente has always been a great platform to showcase our traditional handloom and handicraft. We are the second country in Asia after Japan to be the partner country and this year 450 exporters will take part in the exhibition," said Tamta. Ambiente 2019 will be held between February 8 to 12, 201 ..

For a vast majority of the small and medium exporters, 380 exhibitors are funding their own expenses and have been shortlisted by Messe Frankfurt for the show. "The other 80 exporters have been selected by EPCH, but even they are taking care of their expenses. Additionally, we are taking some National Award winning craftsman to the show," said Rakesh Kumar, Executive Director, Export Promotion Council for Handicrafts (EPCH).

According to EPCH, handicrafts sector is an employment generating, foreign exchange earnings, creative cottage sector of the Indian economy. The sector has always shown a growth of around 10% for the last nine years, however, during the year 2017-18, the sector has registered a decline of about 5.59% in rupee terms and about 1.8% in US dollar terms. The exports in the year 2017 are at Rs. 23,029 crore ($3573 million] in 2017-18.

Exporters have faced issues around blocking of working capital on account of introduction of GST: economic slowdown in the traditional markets of handicrafts like UK, Germany, Japan and UAE, the rise in the prices of raw material like metal (copper, brass, aluminum) and reduction in the duty drawback rates are the major ones highlighted by the exporters.

Tamta and Kumar hope that India as the partner country would provide the necessary thrust to exporters in the handicrafts sector to find new markets and customers. Before India, countries like Denmark, France, Japan, the USA, Italy, the UK and the Netherlands have been the partner country at Ambiente.

Messe Frankfurt first found mention in 1150 and is today one of the world's biggest trade fair, convention and event organizer. It employs a workforce of 2400 and generates annual sales of Euro 669 million.

"I am very pleased that we were able to win the Republic of India as a partner country for the next Ambiente. India has an incomparable diversity, a rich culture and also a tradition of art and craft. It's also among our absolute top countries in terms of exhibitors," said Stephan Kurzawski, Senior Vice President, Messe Frankfurt Exhibitions Gmbh. In the 2018 show, India was represented by 434 companies and as the second largest exhibiting nation.

Source: economictimes.com- Aug 29, 2018

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Extinction looms large over flood-ravaged Chendamangalam's textile business

For 80-year-old V P Rajan and wife Thankamani, natives of Karimpadam on the outskirts of Paravoor town, looms at home have been their main source of livelihood since the 1950s.

The furious floods have put the world-renowned Chendamangalam handloom textile industry on the verge of extinction. For damaged looms are forcing weavers to look for other sources of livelihood.

"I have been a handloom weaver since I was 10," Rajan said.

"Earlier, I used to work in mills. After marriage, we installed two looms in our house. My wife and I use the looms. On August 15, the water level increases suddenly and we had to leave the entire looms behind and shift to relief camps. After returning, it was a heartbreaking scene. "Two looms are damaged completely. Yarns are drenched in water. We don't know whether they can be repaired."

There are more than 200 weavers who work on looms at their homes in the Paravoor and Chendamangalam regions. The yarn, thread and dye solutions are provided by various handloom weavers cooperative societies. Weavers work at home and provide the finished product to these societies, getting around `60 for a metre-long textile.

There are five such societies functioning in Paravoor. Each society has its own handloom manufacturing units. Of the five, the worst-affected was the Chendamangalam Handloom Weavers Cooperative Society. Sojan P A, secretary of the society, said the entire manufacturing unit was submerged during the floods, damaging 45 looms.

"This cooperative society, founded in 1957, is one of the oldest in the locality," he said. "The society has 115 members. There are 45 weavers working on looms in the manufacturing unit and the rest work at home. Around 100 looms associated with this society have been damaged."

Eighty-year-old K P Kumaran, the first member of the Chendamangalam Handloom Weavers Cooperative Society, remembers a flood that washed off the area in 1961.

“However, the impact of that flood was not as intense as this year’s flood. The looms were safe and work remained unaffected,” he said.Handloom Employees Union state committee member and Paravoor Handloom Weavers Service Cooperative Society president T S Baby said at least Rs 40,000 will be required to repair each loom.

“It will take at least five to six months to repair the looms. Weavers won’t have any work till the looms are repaired. Unlike other sectors, weavers have been affected the worst as all raw material and looms are lost,” he said. With the elderly counting among the majority of weavers, the Chendamangalam handloom industry is in crisis. For the new generation does not appear to be interested in working in this sector.

“We don’t know whether weavers will repair their looms and continue with weaving. Aid from the government and other organisations is required urgently to save the Chendamangalam handloom industry from extinction,” Baby said.

Source: newindianexpress.com- Aug 29, 2018

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Policy for manufacturing

India needs a modified industrial ecosystem in a tech-driven world

Twenty-seven years after the watershed industrial policy of 1991, a new avatar is before the Cabinet for its consideration. This comes as an extension of the ‘Make in India’ programme, which was essentially meant to direct FDI inflows —so far concentrated in a clutch of services sectors such as finance, electronics and telecom — into manufacturing.

A draft version of the industrial policy was placed in the public domain a year ago, which rightly identifies core concerns — infrastructure, labour market constraints, slow technology adoption, inadequate R&D spending and fallouts of free trade pacts. The policy aims at creating global brands and raising FDI inflows to $100 billion annually (from $60 billion levels at present). Having moved up several ranks in the ease of doing business index, the idea is to become a key player in the global digital scene.

The creation of jobs in a scenario of automation remains an abiding challenge. As an overall strategy, the proposed draft marks a continuation of the process that began in 1991. India has progressively reduced both its trade and financial barriers, which infused the business ecosystem with a new energy.

The phased manufacturing programme (PMP), which mandated a level of local sourcing as a condition for exports, was a cornerstone of a liberalised investment regime of the 1990s; it helped in the creation of indigenous capacities in auto and telecom.

However, it is important to do some stocktaking. The reforms impetus was two-pronged: first, a reduction in tariffs on capital and intermediate goods was expected to make domestic industry competitive; and, second, FDI flows were expected to improve technology and efficiency levels, besides creating jobs.

FDI flows have picked up, but there is little evidence to suggest that these have gone substantially into greenfield investments in manufacturing. Such flows find their way into acquiring domestic facilities, in the process not creating jobs. Similarly, it cannot be said that the gradual withdrawal of tariff protection has lifted efficiency and capabilities as a whole.

The pharma sector no longer produces bulk drugs, while technology absorption in hardware and telecom has not taken place. The mismatch between the growth of the software and hardware sectors reflects a policy failure. However, returning to knee-jerk protectionism of the past is no solution.

A new system of incentives is needed. Strategic industries should be protected (the Centre needs to identify them) on the condition that R&D spends increase. Unlike the PMP, this will not run foul of the WTO. Taking a leaf out of China, the government should create clusters so that overheads are reduced. Logistics needs a major boost.

The Centre could direct resources away from export subsidies into such priorities. A balance between returns on finance and on physical investment needs to be maintained. The draft policy is sketchy in these respects.

Source: thehindubusinessline.com- Aug 30, 2018

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Pink Bollworm attack: Maharashtra directs seed cos to pay Rs 210 crore to cotton farmers

The Maharashtra Agriculture Department has directed seed companies in the state to pay Rs 210 crore in compensation to around 3 lakh cotton farmers affected by the Pink Bollworm attack.

Hearings are in progress at present and accordingly the State Agriculture Commissioner Sachendra Pratap Singh, Vijay Kumar Ingale, director, Quality Control and other senior officials have been pursuing hearings on this issue.

Earlier, the the department had directed seed companies to pay compensation worth Rs 93 crore to cotton farmers for the damage caused by the Pink Bollworm attack. Last season, some 34.35 lakh hectares had been affected by the Pink Bollworm attack affecting some 13.59 lakh farmers.

Notices were issued by the department in this regard. The hearings in districts of Amravati divison and Beed were pending. Insurance companies, National Disaster Relief Fund and seed companies are all part of the compensation process under the Pink Bollworm attack.

Around 1.55 lakh farmers are expected to receive compensation worth Rs 93 crore for cultivation on 55,000 hectares. Hearings for Akola, Buldhana, Amravati, Washim, and Yavatmal districts in Amravati division and Beed district are yet to be completed.

According to officials, seed companies have been granted one month's time to file their replies. After this, they can appeal to the Commissioner of Agriculture.

At least 12 districts are reported to be affected by pink bollworm. Maharashtra is the first state to seek National Disaster Relief Fund assistance for crop loss due to pest infestation; till now it was only sought citing drought.

The state has sought Rs 3,337 crore aid and relief for pest attack on 42.07 lakh hectares. After punchnamas and assessment of the loss of the cotton crop due to pink bollworm, the state government in December 2017, announced compensation for farmers at Rs 30,800 per hectare.

Of this, Rs 6,800 a hectare was to be given from the National Disaster Relief Fund (NDRF), Rs 8,000 from the crop insurance cover and Rs 16,000 from the claims from the seed companies.

Though the compensation from two components has to come from the respective companies, the third component has to be paid by the state government.

The state government, in January, sent a memorandum to the Centre demanding Rs 2,425 crore and later revised the amount to Rs 3,373 crore in March demanding the assistance under NDRF.

Since the Centre raised the queries related to the memorandum, and the delay led to further uproar among the farmers, the state government issued the GR on March 17 announcing that it would compensate the farmers from its own kitty .

Source: financialexpress.com- Aug 30, 2018

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