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IBTEX No. 210 of 2019 October 31, 2019

US 70.78 | EUR 78.99 | GBP 91.43| JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19713	41200	**74.19**
Domestic Futures Price (Ex. Warehouse Rajkot), November		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19440	40630	**73.16**

International Futures Price

NY ICE USD Cents/lb (December 2019)	65.70
ZCE Cotton: Yuan/MT (January 2020)	12,615
ZCE Cotton: USD Cents/lb	81.10
Cotlook A Index – Physical	**75.45**

Cotton Guide: As mentioned earlier the sideways to positive movement has now gained strength. The Market has now seen a huge positive movement since last evening starting 6 pm. The reason attributed for this was twofold. First, Adverse Crop Conditions reported in the Top Exporting Country – The United Stated of America. West Texas is witnessing freezing rains coupled with snow. Also according to USDA only 46% of the US Crop is harvested. Second, market is slowly getting aware that Speculators who were net short are now seen to have a changed minset now- they are net long. This has caused the recent bullishness in the market.

The ICE December contract settled at 65.70 cents per pound with a change of +98 points. The ICE March 2020 contract settled at 66.89 cents per pound with a change of +112 points. The ICE May 2020 contract settled at 67.69 cents per pound with a change of +100 points. In other words, the change that was notices was seen to have been in 3 digit figures which give optimistic market indication. Along with the aforementioned, total volume figures of 51,379 contracts has increased the optimistic perception of the market participants. We need to note that the Total volumes seen in the last couple of months were below and around 20,000 contracts.

MCX contracts on the other hand, were subdued with lower volumes. Volumes were seen at 668 lots. The Most active November contract gained along with ICE post 6 pm, only after a drop seen in the afternoon. It settled at 19,440 Rs per Bale with a change of -10 Rs. The other contracts did not attract much volumes and settled unchanged.

The Cotlook Index A has been updated at 75.45 cents per pound with a change of -5 points. Whereas the prices of the North Indian cotton is seen at 37,600 Rs per Candy.

The crop arrivals totalled at 308,000 Bales, with most of the arrivals from the Northern Zone and Gujarat. Pockets of heavy rain continued in the cotton belt, which has kept the moisture content in new arrivals high in many areas. In the absence of effective CCI price support and a rally in ICE futures, Indian Cotton Varieties have now become export competitive.

While speaking from the fundamental perspective, the ICE Cotton futures are expected to be positive. It is likely to hold near the 65 cent per pound range and will move towards 67. MCX November / December is holding near 19,400 but at a structure of backwardation where December is trading lower than November. The Supply Pressure amid higher arrivals will determine the spread either will remain in backwardation or will turn contango. It is possible that the effect of backwardation may not move beyond 70 to 80 Rupees while the contango may also not exceed 100+ Rs.

While analysing the geopolitical news, the Potential US CHINA meet at Chile scheduled for next month at the APEC summit stands cancelled as Chile will not be hosting the summit due to protests across the country. Therefor the market is still awaiting for news regarding the first phase of the partial agreement between US and China.

While speaking technically, ICE Cotton after giving an Inverse Head & shoulder pattern breakout, is trading within an upward sloping channel. However, prices have taken support of 76.4% Fibonacci extension & moved towards the previous top of 65.85. Meanwhile, price is above the daily EMA (5, 9) at 65.31, 64.97, along with 76.4% Fibonacci extension (64.78) acting as an immediate support. The momentum indicator RSI is at 67, implying positive bias for the price. The immediate resistance for the price would be at 66.40, 100% Fibonacci extension level, while the immediate support would be at 64.97 (9 day EMA). Thus for the day we expect price to trade in the range of 66.40-64.80 with positive bias. In MCX Nov Cotton, we expect the price to trade within the range of 19300-19600 with a sideways to bullish 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

UK manufacturing much greener compared to overseas: study

The practice of offshoring manufacturing amounts to off-shoring pollution, with two-thirds of emissions from UK clothing occurring overseas, according to a report by the University of Nottingham energy innovation and collaboration team. To localise British manufacturing, Derbyshire fashion firm David Nieper commissioned the report on offshore manufacturing.

Forty seven per cent less emissions are generated by manufacturing clothes in the United Kingdom compared to a similar operation in an overseas textiles production base, the report says.

The university team studied the energy and greenhouse gas emissions for the manufacturing operations of David Nieper, which designs and make clothes in the United Kingdom and sells online and through catalogues, as opposed to a garment retailer that manufactures overseas and sells on the British high street.

Renewable energy plays a key part in keeping energy consumption to a minimum. Within the garment production process, the sewing phase typically requires most energy consumption.

David Nieper's solar panels, energy efficient machinery and LED lighting means the average power required to make each garment has been reduced by 37.5 per cent, dropping from 8.03kWh to 5.16kWh per garment.

The report also shows the biggest contributing factor to cleaner and more efficient manufacturing in the United Kingdom is due to the lower carbon intensity of electricity supply network.

The United Kingdom has significantly lower carbon emissions per unit of electricity compared to overseas production hubs such as China, Bangladesh and Turkey; therefore production in the United Kingdom has lower direct carbon emissions–making it a more sustainable manufacturing base.

The long distance transportation of goods and component parts, which has become synonymous with the textiles industry, is cited as another environmentally damaging practice and significant contributor to greenhouse gases.

The University of Nottingham report details shipping distances to the UK high street from the three biggest textiles manufacturing centres range from 6,226km from Turkey, 16,123km from Bangladesh and 21,694km from China. Air freight is the worst polluter in the distribution stage, contributing 90 per cent of greenhouse gas emissions.

Another shock statistic revealed by the report is that the energy used in making clothes is dwarfed when compared to the energy used 'upstream' in the textile supply chain, in making fabrics as well as printing and dyeing. This accounts for over 70 per cent of the total carbon emissions in garment production emphasising the importance of transparency throughout the entire supply chain.

Source: fibre2fashion.com- Oct 31, 2019

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Pakistan: Buying rush moves cotton prices up

The rising trend in cotton prices continued on Wednesday with rates touching Rs9,700 per maund as sustained buying kept the proceedings --bullish.

Short crop continues to haunt textile spinners who are trying to procure big lot deals.

In 2011-12, local cotton prices hit a higher level as the country had exportable surplus. China was a major buyer of Pakistani lint that season.

Unfortunately, in the ongoing 2019-20 season, cotton prices have soared because of short crop, with an expected gap of around 5 million bales. Another factor which is sending shock waves into textile industry the snapping of trade relation with Indian, brokers said.

In order to meet a huge gap between demand and supply, textile industry will have to import cotton from the US and Brazil which would mean higher costs and long period required for arrival, brokers added.

Internationally, New York cotton continued to firm up while Chinese and Indian cotton markets were mixed to easy.

The Karachi Cotton Association (KCA) spot rates were revised upward further by Rs50 to Rs9,350 per maund.
The following deals were reported to have transpired on ready counter: 1,400 bales, station Khairpur, at Rs9,100; 600 bales, Ghotki, at Rs9,550; 1,400 bales, Yazman Mandi, at Rs9,125-9,250; 1,000 bales, Fort Abbas, at Rs9,300-9,400; 1,600 bales, Sadiqabad, at Rs9,600; 600 bales, Rahim Yar Khan, at Rs9,600; and 800 bales, Khanpur, at Rs9,600.

Source: dawn.com- Oct 31, 2019

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Pakistan: Planners must focus on exploiting economic potential not masses

Instead of exploiting the masses, planners should spend their energies in exploiting the economic potential of the country. Our economy has since long been underperforming in agriculture, manufacturing and services.

As far as agriculture is concerned, Pakistan stands second in chickpeas production; third in apricot production; fourth in milk, cotton' sugarcane and onions; sixth in date palm; seventh in mango; eighth in tangerines, mandarin orange and rice; ninth in wheat, and tenth in oranges.

These statistics give a false impression that agriculture is doing well. Yet the country at one time or the other faced shortages of all these commodities, as the bureaucracy cannot control hoarders, black marketers or smugglers.

Dairy potential of the country remains unexploited too. Instead of making efforts to increase the productivity of livestock at par with developed countries, planners promote higher growth by increasing the milking animals.

Moreover, the sad fact is that our production per hectare in all crops is below not only global best but also lower than India and China - our two immediate neighbours.

Our cows produce less milk than that of Chinese, US or European cows. Low productivity increases per unit cost of all agricultural commodities.

Government mindset is to increase agriculture output by 4-5 percent every year that has no rationale. Planners never explain how this growth would be achieved and what benefits the consumers will get from this growth.

The debacle in cotton crop this year is testimony to what we targeted and what we actually harvested. Productivity is only achieved in years when weather is favourable, since the government makes no contingency plans for measures to mitigate any adverse impact of the weather.

In view of huge unexploited agricultural potential, productivity increase by 20 percent annually in the next five years to penetrate the global commodity markets. For this, farmers need timely supply of quality fertiliser, certified seeds and timely release of irrigation water – all of which is denied to most of them.

The performance in industrial production is equally pathetic. Take for instance textiles that generate 60 percent of the country's exports and remain the largest provider of jobs.

Pakistan is the fourth largest producer and third largest consumer of cotton in the world. Pakistani textile industry consumes 16 million bales of cotton every year, out of which 85 percent is exported. Thus, only 4 million cotton bales are consumed for local needs, while 12 million are used for exports. We however produce only 10-11 million bales and the rest are imported.

Textile exports have reached $13 billion which is $1 billion for every million bales. India consumes 30 million cotton bales every year out of which only 50 percent is exported and 50 percent consumed locally.

This implies that Indians consume 15 million cotton bales for exports and 15 million for local use. The Indians earn over $40 billion from textile exports.

This means for each million bales textile products exported, India earns $2.75 billion. If Pakistan's textile industry matches the value-addition attained by India, our textile exports should have been over $25 billion.

The textile industry alone is not responsible for this stalemate; the protection provided to PTA plant also retarded blending textile products with manmade fibres.

Car production in Pakistan has increased seven times from 33,000 in 1999 to average of 250,000 units in 2019. The deletion of auto-components has remained almost stagnant during that period and even now. The foreign exchange saving is only 30 percent even in vehicles where the localisation of parts has reached 70 percent.

The 30 percent imported parts of the vehicle add 70 percent cost to the car. For low deletion models the imported component is 80-85 percent. The present government cannot be blamed for this sorry state in the auto sector. But it should now take remedial measures.

Raw materials, parts and machinery being currently imported added very little to exports but ballooned local consumption beyond reasonable limits. It looks strange that the government is providing undue protection to such industries at the expense of the consumers.

They should be asked to either export certain percentage of production and part away from protection. Potential for growth should be assessed on the basis of benefits to the nation and the consumers.

The services sector that had been leading the GDP growth in past decade has also caved in to ever deteriorating economic conditions.

Source: thenews.com.pk- Oct 31, 2019

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Malaysia mulls plans for 1st textile manufacturing hub

Malaysia is mulling over a plan to establish the country's first textile manufacturing hub as part of an effort to revive the industry. The proposal is being drafted by a team from the international trade and industry ministry, the Malaysian Investment Development Authority (MIDA) and the newly-launched Federation of Malaysian Fashion, Textiles and Apparels (FMFTA).

The government is re-industrialising Malaysia's textile sector and it believes domestic investors are fully capable to develop this hub, international trade and industry minister Datuk Darell Leiking said at the launch of FMFTA in Kuala Lumpur recently.

FMFTA pro-tem committee chairman Datuk Seri Tan Thian Poh said the federation has suggested that 600-1,000 hectares of land should be allocated for the hub, according to Malaysian media reports.

Tan said the federation has also proposed that the hub be established at the least-developed state that has connected logistics services. The project would in turn enhance the economic development of the chosen state, he said.

While it may be difficult to get local players to move their existing operations, Tan said the firms could be compensated by sufficient incentives.

This hub could be managed by FMFTA or industry players through a public-private partnership with the government, he added.

The textile and apparel industry is Malaysia's eleventh largest manufacturing sector, employing over 155,000 with an export target of RM24 billion to be achieved by 2020.

On the downstream and upstream segments, a total of 1,195 textile and apparel projects worth RM12.6 billion combined were implemented as of December 2018.

For the first half of 2019, MIDA approved an additional investment of RM94.4 million for five projects, with RM120 million still in the pipeline.

Source: fibre2fashion.com - Oct 31, 2019

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Italy holds talks with Bangladesh to boost economic ties

Italian foreign ministry officials held talks in Rome early this week with Bangladeshi foreign minister Abdul Momen to boost bilateral economic relations, the Italian foreign ministry said in a statement.

Several Italian textile firms operate in Bangladesh and Italy hopes that business ties can be intensified, foreign undersecretary Manlio Di Di Stefano said.

Di Stefano acknowledged the positive contribution of the Bangladeshi diaspora to the Italian economy and society, news agency reports cited the official statement as saying.

Italian defence companies are also taking part in competitive tenders for major contracts in Bangladesh, he added.

Source: fibre2fashion.com - Oct 30, 2019

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Bangladesh: RMG makers want to pay reduced source tax from Jul 1

Garment makers have demanded a reduction in source tax on their export earnings to 0.25 percent on a retrospective effect from July 1 this year.

The plea was made after the National Board of Revenue (NBR) on October 21 slashed the source tax on exports to 0.25 percent from 1 percent to help increase the competitiveness of Bangladeshi products in the international market.

In a letter to the NBR on October 21, Bangladesh Garment Manufacturers & Exporters Association (BGMEA) President Rubana Huq said the retrospective effect has not been given in the latest notification regarding reduction of source tax on export receipts.

The apex chamber of the biggest export earning sector said the NBR cut source tax in the years of 2016, 2017 and 2018 and the reduced tax benefit was given with retrospective effect from July 1.

This time it is not given, said the BGMEA letter, while urging the NBR to make this effective giving retrospectivity from July 1.

The garment industry is facing tough time and operational expenses of businesses rose about 30 percent for various factors including falling prices and spiral in wages of workers.

In the last fiscal year, the NBR reduced source tax on apparel twice to 0.25 percent and gave retrospective effect from July 1, 2018. The privilege expired on June 30 this year.

With a view to boosting collections the source tax for garment manufacturers was increased to 1 percent at the beginning of the fiscal year from 0.25 percent the previous year.

And, the tax authority reduced the rate to previous level in the face of demands from exporters without giving retrospective effect.

Taxmen said offering retrospectivity would affect overall revenue collection, which has been sluggish.

At present, apparel makers enjoy 12 percent corporate tax, which is half the lowest corporate tax of 25 percent applicable for listed companies in the stock market.

Source: thedailystar.net- Oct 30, 2019

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NATIONAL NEWS

Fear-psychosis around FTAs must be overcome: Goyal

Govt will weigh all aspects carefully before signing pacts, says Commerce Minister

Commerce and Industry Minister Piyush Goyal said the fear-psychosis created around free trade agreements (FTAs) in India needs to be overcome if the country is to avoid global isolation.

"Our government is not a weak one. It will decide on an agreement based on what is good for the people and industry. It will ensure sufficient and adequate safeguards for industry... But the fear psychosis around FTAs created by a microcosm of people has to go...An FTA has to be a win-win for both sides," Goyal said while releasing the report of the High Level Advisory Group (HLAG) on Trade on Wednesday. The event was organised by CII.

Goyal said a government has to balance consumer interests with industry interests and individual perspectives must be avoided. Unlike the way FTAs were signed in the past, the present government will weigh all aspects carefully.

The Minister's views are important given the proposed Regional Comprehensive Economic Partnership (RCEP) pact being negotiated between India, the ASEAN, China and four others. While India is still raising concerns on some of the aspects of the pact, including opening its markets for China, most other countries want a conclusion announced at the RCEP Leaders' Summit next week.

National objectives

The high-level panel, set up by the Commerce Ministry under the chairmanship of economist Surjit Bhalla to assess the global environment and make recommendations for boosting India's share and importance in global merchandise and services trade, has advice on FTAs as well. The panel suggested that every FTA must be conceived with a view of achieving national objectives and not driven by narrow considerations, sometimes even driven by political expediency.

"While negotiating market access for goods in FTAs, India should focus on both tariffs and non-tariff barriers in the partner countries. In services, India should go beyond Mode 4 (movement of persons), and also focus on Mode 3 (commercial presence), as Indian investors have an interest in investing in the FTA partner country," the report said.

There is a need to establish an institutional mechanism for seeking inputs from stakeholders prior to finalising an FTA, as well as informing the industry well in time about any steps that they would like to take during the period of transition with the aim of minimising their adjustment costs, the report added.

Panel recommendations

The panel came up with a slew of other recommendations to boost exports and investments. These include increasing authorised capital of the Exim Bank by a minimum of ₹10,000 crore, strengthening exports of labour-intensive sectors and ICT products, putting in place a national trade facilitation action plan and simplifying regulatory and tax framework for foreign investment funds and individual investors.

"In order to achieve an estimated aggregate growth level of 20 per cent, the balance capital (authorised capital less paid-up capital) of ₹6,141 crore needs to be infused by the Centre over the subsequent two years ending March 31, 2022.The authorised capital is to be simultaneously increased by a minimum of ₹10,000 crore by March 31, 2022," the report said. It also suggested enhancing the bank's borrowing limit.

For improvement in off-shore fund management, the report proposed a revision in eligibility conditions such as aggregate participation/investment by Indian residents in an offshore fund shall not exceed 5 per cent of the fund corpus and that the fund manager is not an employee or connected person of the offshore fund.

To attract more foreign investments, the report proposed replacing the existing regulatory and tax framework with a number of forward looking measures.

Source: thehindubusinessline.com- Oct 30, 2019

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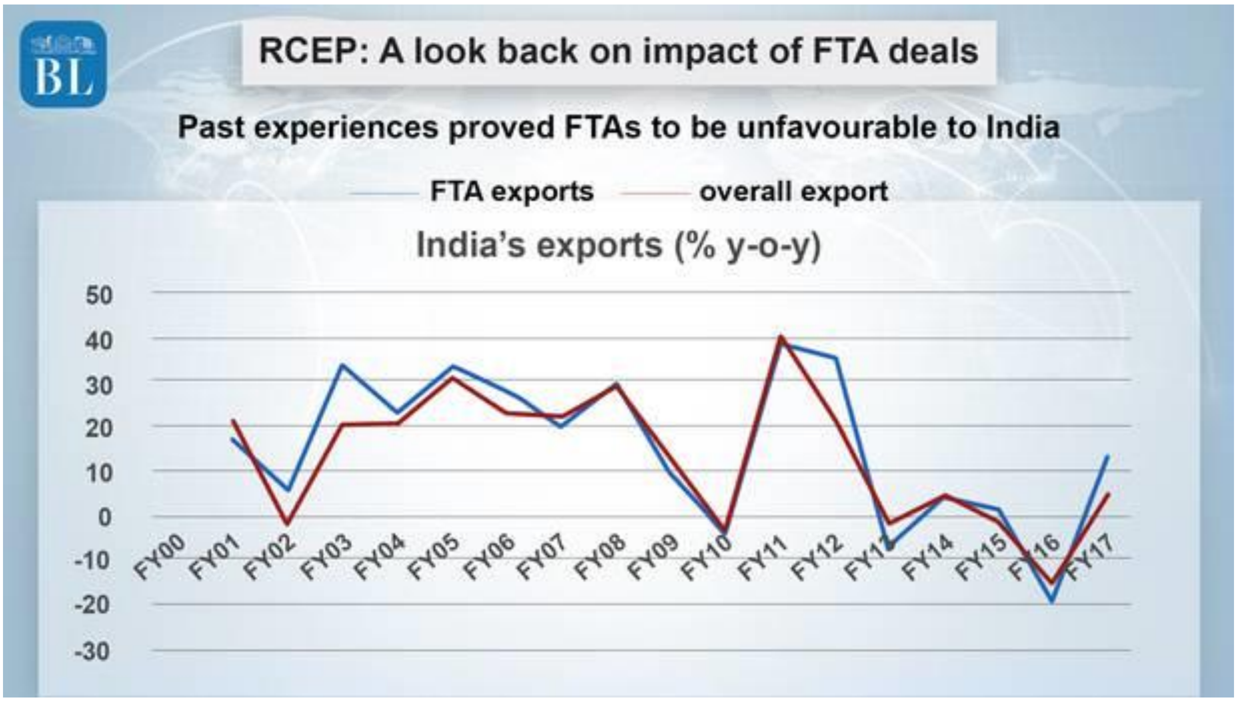
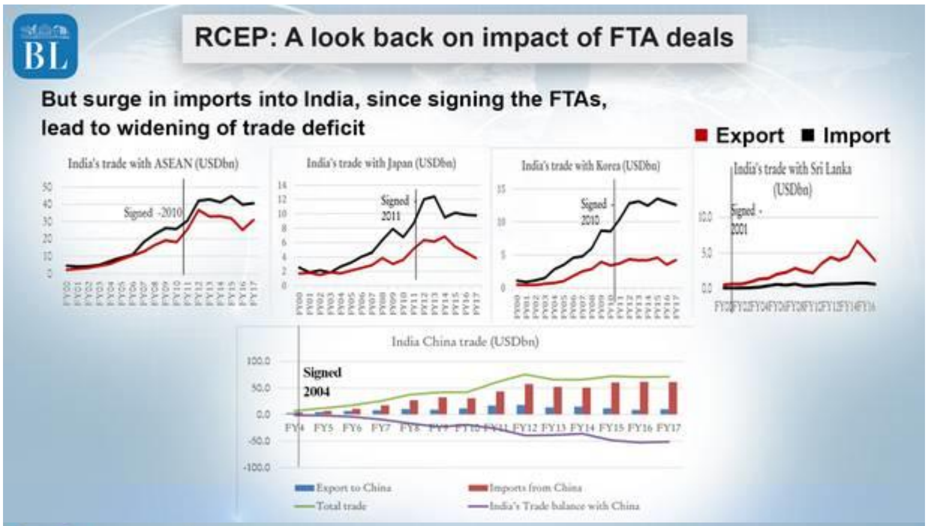
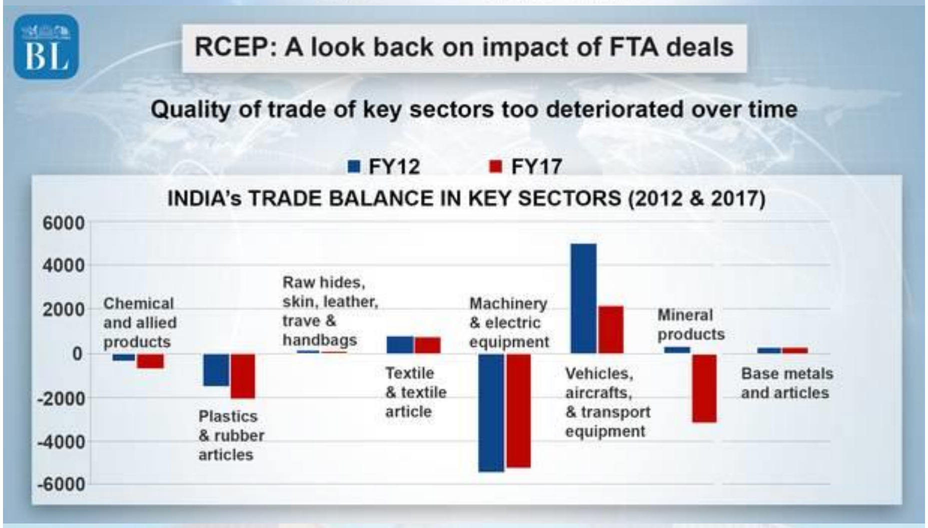
Statistalk | RCEP: FTAs and its impact

After seven years of its launch, the RCEP negotiations, which is a proposed Free Trade Agreement between 10 ASEAN countries and their six FTA partners, are expected to conclude on November 4, 2019. Here are highlights from a NITI Aayog report about the FTAs and its impact:

World	-189512
ASEAN	-26417
China	-54911
Japan	-7037
South Korea	-10483
NewZealand	-124
Australia	-9797







(Trade in 2018)	($ M)
With RCEP countries	240550
With world	828464
	29%

Source: thehindubusinessline.com- Oct 30, 2019

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The era of FDI-driven growth is over

Private investment can no longer be relied upon to drive the world economy. This reality is gradually being understood

Free flow of foreign investment (direct and portfolio) has been a major plank of globalisation and liberalisation. FDI is a key economic constituent, accounting for 40 per cent of incoming resources and 10 per cent of capital formation in developing countries — and can go up to 50 per cent in some economies. Recent trends, however, show that not all is well on the FDI front.

As per UNCTAD, global FDI inflows reached a peak of $2 trillion in 2007 but bottomed out after the 2008 global financial crisis; they were expected to recover to $1.6-2 trillion by 2012. The reality, however, is that global FDI could only reach to $1.1 trillion in 2018. Looking back, the rise of FDI inflows from $225 million in the early 1990s to $1.5 trillion in 2000 was impressive, but the pace has now ebbed.

Other sources for external capital too are seeing a slowdown. Net debt and equity flows to the low and middle income countries have fallen from $1.27 trillion in 2017 to $1.03 trillion in 2018, with a sharper fall noticed in long-term debt, that fell from $404 billion to $303 billion; private creditors from $352 billion to $225 billion; and net equity flows from $540 billion to $503 billion; with only remittances holding fort at about $481 billion. The growing spat between the US and China might be a cause of the reversal, but the outcome is a major concern for the developing world.

Recent figures

Though the trend of developing countries replacing the industrial nations in the top 20 recipients of global FDI is inspiring, there are some other developments in this context that are discomfiting.

First, the flows are getting concentrated over time, as the share of the top 20 recipient countries in global FDI flows rose from 64 per cent in 2009 to 90 per cent in 2018. Of the $7 trillion that flowed into the developing world during the 2008-18 period, East Asia (36 per cent) and South-East Asia (16 per cent) accounted for 53 per cent and Latin America another 24 per cent.

Second, rates of return on FDI are showing a gradual decline, with the world average falling from 8.1 per cent in 2012 to 6.7 per cent in 2018: in the developing world, it fell from 10 per cent to 8 per cent; Africa from 12.3 per cent to 6.3 per cent, Latin America from 7.9 per cent to 5.6 per cent and South Asia from 7.2 per cent to 5.7 per cent during this period.

India made a splash, albeit not a spectacular one. South Asia, where India leads, managed to get $499 billion of FDI during 2008-18; a global share (7 per cent) similar to Africa. India has progressed, as inflows increased from $4 billion in 2001-01 to nearly $42 billion in 2008-09.

But since then, it could not cross the $45-billion level achieved in 2015-16, with big drops seen during 2010-15 when flows fell to levels of $29-35 billion. During 2008-18, China received an average of $124 billion a year, Brazil $62 billion, Singapore $52 billion, India $37 billion, Russia $34 billion and Mexico $30 billion. China has also emerged as the country with largest outflow of outward FDI.

Public financing

A need is now increasingly being felt globally to look for lasting solutions to ensure steady resource flows, as the limitations of the Washington Consensus — that promoted private capital as the pivot of development and efficient resource allocation — is now beginning to fall short of expectations.

Adding to the anguish, a series of economic and financial crises in quick succession threaten global systemic stability. This has led to public-sector capital once again gaining attention and finding favour with the global policy.

“Public banking is undergoing something of a renaissance…partly in response to concerns that private banking has failed to do enough for development, and partly in recognition of the positive role public banks have played in providing countercyclical finance,” notes a recent UNCTAD report.

The fillip to public sector finance renewed in the aftermath of the 2008 financial crisis — with BRICS nations setting up the New Development Bank (2014), China floating the Asia Infrastructure Investment Bank (2016) and the launch of South America’s Banco del Sur (2009) — with enhanced level of engagement seen in multilateral and regional development finance. The rise of sovereign wealth funds is doing its bit, with India, too, setting up the National Investment and Infrastructure Fund.

Development Finance Institutions (DFIs) for small businesses were set up in countries like Great Britain, Malta, France, Bulgaria, Latvia and Portugal. Mudra Bank is one such effort from India.

Institutional framework

Going forward, India may see a testing time in finance that could hinder its pace of growth — signs of which are already flashing — and could warrant a course correction. With development banking on being the backfoot, commercial banking in deep distress, non-bank finance in turmoil, anaemic new capital issuance in public markets, absence of strong corporate bond markets, rising number of failing companies, growing threat of debt defaults etc, sentiments and prospects for growth could be undermined.

Dependence on central bank surplus can at best be occasional, as it could raise more questions over time than find solutions.

The saving grace are the personal balance sheets in India that have largely remained positive and conducive to a higher rate of savings. During much of the reform period, people with fewer skills were pushed into risky markets that not only eroded sizeable savings of a large number of people but also raised concerns on safety and scope for strengthening private savings.

India needs to embark, with all seriousness and greater urgency, on a thorough review and recast its template of finance, instead of tweaking and tinkering the failing and faltering models. There is a dire need for an institutional framework for financing long-term infrastructure, as commercial banks are not equipped to don the mantle of development banking.

Public capital, that has this merit of being patient and catalytic, needs to be strengthened by matching its importance with resource needs, not divert it to speculative assets and to support inclusive and sustainable development. That is where lies the challenge for policy.

In this effort, India can find an ally in the UN. While the IMF and the World Bank may still advocate private finance as the panacea, agencies like the UNCTAD and the UNDP are increasingly veering towards reforming public finance as a resolution for recurring crises, restoring growth and to reign in rising inequalities.

An opportunity awaits India for new ideas that could trail-blaze development finance to reach its goal of becoming a $5-trillion economy, and in the process provide thought leadership to the developing world on sustainable development.

Source: thehindubusinessline.com- Oct 30, 2019

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Leveraging RCEP and the FTA with the USA

The RCEP negotiations are likely to be concluded at the 35th ASEAN Summit in Thailand during October 31 to November 4, 2019. Along with the RCEP, India is also moving close to signing a trade agreement with the US.

Both are major developments for India in signaling deep and comprehensive external engagement with major and middle powers, and key regional forums like ASEAN. They are also significant in India's decision to go ahead, notwithstanding stubborn domestic resistance.

For quite some time, conflicting impressions have gone out regarding India's seriousness in engaging with the rest of the world. The strongest of these struck at Davos in January 2018. Addressing the gathering at the annual meeting of the World Economic Forum, prime minister Modi highlighted three 'greatest threats to civilisation': climate change, terrorism, and backlash against globalisation.

On the third, he alluded to 'forces of protectionism … raising their heads against globalisation' for 'reversing' the process—a trend reflective of countries becoming 'more and more focused on themselves', with the impact of such mindsets being no 'less dangerous than climate change or terrorism'.

The emphasis on protectionism dragging future progress of the world would have rekindled hopes among some of India—traditionally a hesitant and slow trade liberaliser—converting itself to be a new champion of economic globalisation. The hopes were consistent with the robust character of Indian foreign policy witnessed since prime minister Modi's assuming of office in May 2014.

The hopes were dashed when, within a few days of the prime minister's speech, India's Union Budget went all-out in raising customs duties on several imports for providing 'adequate protection to domestic industry'. More contradictions between foreign and trade policies were variously evidenced before and after, particularly India's studious reluctance to engage in FTAs.

The eventual decisions to conclude RCEP, and working out a trade deal with the US are examples of India making trade a decisive instrument for both, economic and foreign policy goals. The bold attitude of the government is, in spite of domestic economic groups (e.g., the RSS-affiliated Swadeshi Jagran Manch (SJM) that organised a nationwide protest against joining RCEP), domestic industry, and even major government departments and ministries, remaining viciously opposed to India's joining FTAs and lowering trade barriers.

These defensive mindsets are not expected to change. But, what is interesting is the government's decision to go ahead on two large trade deals in spite of the knowledge that it might end up antagonising several constituencies and stakeholders. However surprising it might seem, the decision reflects an executive mindset that has been seen before in India on implementing politically difficult economic reforms.

The commitment to RCEP and a trade deal with the US come at a time when the Indian economy is not in the best of health. Since returning to office for a second term, the Modi government has been saddled with the challenges of reviving an economy whose GDP growth is slowing and several major sectors moving into a sluggish mode. Over the last three months, the government, led by the finance ministry, has announced a slew of measures for kick-starting growth, and reviving investment.

These include those taken specifically for encouraging exports. Exports appear to have become a priority for the government with the realisation that, reviving external demand is essential for lifting overall demand. Exports can increase significantly if India is able to attract export-oriented FDI from the US, and major RCEP members.

Such FDI, apart from triggering fresh economic activity at the ground level, including new jobs, would push Indian products deeper in foreign markets, enabling them to overcome the problem of stagnant domestic demand. The late, but much-needed focus on exports, along with the emphasis on attracting export-stimulating investments, fit well with the goals of joining RCEP, and getting a FTA with the US. Moreover, a generous corporate income tax cut, and a few other notable improvements in doing business indicators, should contribute to greater competitiveness of Indian exports, enabling them to take advantage of these trade agreements.

Nothing comes free though. Both RCEP and the India-US trade deal would irk multiple domestic constituencies. Notable among these are dairy producers, the steel and chemicals industry, and the large number of constituencies opposed to India's broader trade and investment relations with China and the US on geopolitical and ideological grounds. The current context of economic slowdown, however, offers the government the right opportunity of pushing through the trade deals. This is similar to what past governments have done in identical situations.

The history of India's economic reforms over the last three decades has several examples of the politically 'difficult' external sector reforms being implemented during episodes of economic slowdown. Beginning from policies taken by the Narasimha Rao government during the balance of payments crisis in 1991, and those during the later years of the Vajpayee government when GDP growth dropped below 4%, similar context and response were noted during the Manmohan Singh government in September 2012, following stagnating industrial growth and prospects of downgrade in global credit rating.

Crisis produces opportunities. RCEP and India-US trade might be the latest beneficiaries of such opportunities given India's proclivity of using difficult economic conditions to overlook domestic opposition in pursuing contentious reforms. Ironically, they might not have happened had the Indian economy not got stuck.

Source: financialexpress.com- Oct 31, 2019

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India will not sign any free-trade agreement in a rush: Piyush Goyal

India will not sign any free-trade agreement (FTA) in a "rush" but will engage with the world without compromising the interest of domestic industry, Commerce and Industry Minister Piyush Goyal said on Wednesday.

He said India will enter into an FTA or comprehensive partnership agreements on its terms and will do what is best for the people and national interest.

"In terms of RCEP (Regional Comprehensive Partnership Agreement), lot of wrong information have been spread all over. Let me assure each one of you that India will no more sign any FTA in a rush.

"India is not in a weak leadership which had worked only on deadlines to execute FTAs. India will enter into an FTA or comprehensive partnerships on India's terms," he said here.

He was addressing a state consultation workshop on Make in India.

The minister said the government is careful when it is negotiating trade agreements.

Trade is a complex process, "therefore any engagement which we will do will result in the best for the people and our industry," he added.

Goyal also said, "We cannot remain in an isolated world also. We have to engage with the rest of the world. The world is moving towards more and more global integration. So, India will have to finally balance our imperatives to protect domestic interest, yet also engage with the rest of the world."

"And that is the fine balance that the government is working on to ensure that we are part of international trading blocs and engagements but not in any way that compromises national interest," he said.

The RCEP is a mega free-trade agreement being negotiated by 16 countries. The members include ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam), Australia, China, India, Japan, South Korea and New Zealand.

The negotiations for the RCEP deal have reached at a fundamental phase as the member countries are targeting to conclude the talks by November. As per the target of the member countries, conclusion of the negotiations could be announced in the summit.

Several domestic players from industries such as metals, dairy, electronics, and chemicals have raised serious concerns over this agreement due to the presence of China in the grouping, with which India has a huge trade deficit of over USD 50 billion.

Further, he said that necessary and adequate safeguards will be provided to ensure that the Indian industry has a leg-up and has sufficient potential to grow and explore new markets to increase the country's exports.

"It has to be a two-way win-win situation. No trade or international agreement can be done unless it's a two-way benefit and that is what we will ensure, when we do any FTAs," he said.

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Source: livemint.com- Oct 30, 2019

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MSMEs urged to adopt lean manufacturing practices, use govt sops

Micro, Small & Medium Enterprises (MSMEs) that have adopted lean manufacturing practices have shown tremendous results in terms of empowering their workers to take independent decisions, ability to focus on new business opportunities and increasing the time availability to work with more people, a senior government official said here on Wednesday.

"This (lean manufacturing) is the way forward if you are adopting to Industry 4.0. I request you to kindly adopt to lean manufacturing and also make use of the subsidies provided by our government for this purpose," said Sudhir Garg, Joint Secretary, Ministry of Micro Small and Medium Enterprises.

He was delivering the inaugural address at the MSME Tech Summit titled 'Vision for the Future – Moving from Want to Need for Transformation', organised by the Confederation of Indian Industry, Southern Region.
Garg said the Ministry is offering 80 per cent subsidy to micro units and 60 per cent to small units that adopt lean manufacturing practice.

Highlighting that the practice (of lean manufacturing) is not restricted only to manufacturing industries, Garg shared feedback received from an electronics industry player who was able to bring down the cost of production by 30 per cent and improve the design capability of his team after adopting lean manufacturing practices.

"The Ministry of Micro, Small & Medium Enterprises is laying a lot of emphasis on new technologies like lean manufacturing, design improvements, setting up of common facility centres and digitisation," he added.

Listing out the government initiatives to enhance manufacturing technologies, Garg said India currently has 18 Technology Centres (TCs) and the government has recently added another 15 TCs at a cost of ₹3,000 crore.

TCs, earlier known as Tool Rooms, offer support to MSMEs by providing access to advanced manufacturing technologies, skilling manpower with technical know-how and providing business and technical advisory support to MSME entrepreneurs.

Garg also said the government is adding 120 more centres, of which 20 will be large with an investment of ₹200 crore each and 100 small district centres at an investment of ₹20 crore each.

The high-end design centres will also have facilities such as reverse engineering, testing, standardisation and consulting.

Earlier, in his special address, Ashok Reddy, President-Corporate Affairs and Infra, Cyient Ltd, said: "Technology and innovation are no longer an option for MSMEs but have now become a key necessity."

Source: thehindubusinessline.com- Oct 30, 2019

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Free trade over fair trade

Fair trade is often an excuse to raise more protectionist barriers to serve domestic special interest groups

Free trade, which enjoys almost unanimous support among economists, has come under severe attack from politicians across the world. According to the Managing Director of the International Monetary Fund, Kristalina Georgieva, the U.S.-China trade war has brought global trade "to a near standstill". Yet it seems unlikely that politicians will listen to the advice of economists, which is to bring down barriers to international trade rather than raise them further.

The protectionist politician's argument is that increasing tariffs on foreign goods protects domestic industries from unfair trade practices adopted by foreign governments.

For instance, U.S. President Donald Trump has accused China of ripping off the U.S. by, among other things, imposing high tariffs on American goods that are imported into China, artificially lowering the value of the yuan against the U.S. dollar in order to encourage Chinese exports, and adopting domestic policies that favour local Chinese companies over American ones. Retaliatory tariffs, it is believed, will help level the playing field and ensure "fair trade".

Dropping trade barriers

Yet the case for free trade does not depend simply on the condition that all countries must engage in “fair trade” practices. Trade does not have to be “fair” for countries to benefit from it. In fact, a country that drops all trade barriers on its side can benefit from such trade liberalisation even when other countries refuse to do the same. As the economist Paul Krugman wrote, “The economist’s case for free trade is essentially a unilateral case: A country serves its own interests by pursuing free trade regardless of what other countries may do”. This is because countries that remove trade barriers unilaterally, like Hong Kong and Singapore did, benefit their consumers, whose standard of living is improved greatly by access to foreign goods. By the same token, a country that raises trade barriers works against the interests of its own consumers. Of course, if all countries tore down their respective trade barriers, the world would be a richer place as goods can freely move around. But in the meantime, unilateral free trade can at least benefit consumers in countries that decide to fully adopt it.

Despite this, tariffs and other trade barriers are extremely popular among politicians. This can be attributed to the misconception that trade policy must be judged based on what good it does to a country’s producers rather than consumers.

But as the economist Claude-Frederic Bastiat noted, “All economic phenomena, whether their effects be good or bad, must be judged by the advantages and disadvantages they bring to the consumer.” Competition between producers is usually considered good because, even though it could cause some of them to lose out, it benefits consumers who can buy cheaper and better goods. Yet when such competition comes from producers in foreign countries, it is opposed for no valid economic reason.

Some argue that retaliatory tariffs are warranted since foreign governments heavily subsidise domestic producers. Mr. Trump has criticised India and China for misusing their “developing country” status at the World Trade Organization to subsidise domestic producers, thus putting American producers at a terrible disadvantage. However, using retaliatory tariffs in a desperate attempt to protect domestic producers is misguided because it stops American consumers from enjoying the benefits of subsidies offered by foreign governments.

Trade deficit

Another economic statistic that is misused to gather support for protectionist trade policies is the trade deficit. A trade deficit is seen as a bad thing since it indicates that the value of a country's imports is greater than the value of its exports. But economists such as Milton Friedman have argued against the view that a country loses wealth when it experiences a trade deficit. A trade deficit or surplus merely shows that people in different countries prefer to buy different things from one another.

Americans, for instance, may prefer Chinese goods over Chinese real estate assets while the Chinese may prefer American financial assets over American goods. This will cause the U.S. to experience a trade deficit with China as it buys more goods than it sells to China. And at the same time, it will enjoy a capital surplus as it receives more capital than it sends across to China. So a trade deficit in no way reflects which side loses or wins in a trade. In fact, voluntary trade both within and between countries happens only because both sides believe that they gain from it. Fair trade is often just an excuse to raise more protectionist barriers to serve domestic special interest groups. The world would be a richer place if leaders chose free trade over "fair trade".

Source: thehindu.com- Oct 31, 2019

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View: A struggling India needs more trade, not less

India, not long ago the world's fastest-growing major economy, is struggling. Growth has plummeted to 5% — well below potential and not nearly enough to employ the millions of young Indians entering the workforce every year. Lending has slowed to a trickle, as has consumer demand. Voices across the political spectrum say the last thing the country can afford now is to lower its trade defenses. In fact, that's exactly what's needed.

India's immediate question is whether to join the Regional Comprehensive Economic Partnership, which if completed would represent the world's biggest free-trade agreement. Fifteen other nations — Australia, China, Japan, New Zealand, South Korea and the 10 members of the Association of Southeast Asian Nations — appear ready to conclude nearly 30 rounds of negotiations when they meet this weekend in Bangkok. India is the main holdout.

Although the agreement's ambitions have been scaled back since talks began in 2012, it would nevertheless encompass about 40% of global gross domestic product and 45% of the world's population. At a time when governments have been raising more barriers to trade than they're lowering, announcing a deal would give proponents of deeper global integration a welcome boost.

Critics say joining RCEP would open up India to a flood of cut-rate Chinese goods, not to mention cheaper dairy products from Australia and New Zealand, worsening an already large trade deficit. Their objections reflect a more deep-rooted suspicion of free trade, one that's shared by many factions within the ruling coalition. Despite Prime Minister Narendra Modi's rhetoric about economic reform, his administration has adopted an increasingly protectionist stance.

That's a mistake. At this stage in its development, India needs more trade, not less. As country after country in East Asia has demonstrated, integrating into global value chains is a proven route to prosperity. The process raises productivity, boosts output, creates jobs and ultimately stimulates demand.

The World Bank notes that joining such production networks increases per-capita incomes 50 times as much as standard trade does. There are few other plausible ways for India, which despite its size accounts for less than 2% of global merchandise exports, to employ its burgeoning population and make the transition from an agriculture-based economy.

It's important to remember, too, that joining RCEP would lower barriers not just to finished products, but also to the cheap Chinese inputs needed to boost India's manufacturers.

It would send a signal that India embraces rather than fears globalization, which would reassure companies that have heard too much recently about import substitution and protecting domestic industries. And it would help India to capitalize as factories shift production out of China due to rising labor costs and trade frictions with the U.S.

Most important, lowering trade barriers would force India to compete. Much still needs to be done to make the country an attractive place to manufacture. Laws need to be changed so that companies can more easily acquire land and hire and fire workers. Investors are still deterred by India's red tape, corruption, clogged courts, uncertain policy-making and overzealous tax officials. Although RCEP wouldn't directly mandate internal reforms, the pressure of added competition would hopefully spur change.

Modi has long sought to portray himself as both a reformer and a global statesman. A bold decision in Bangkok would not only shore up his reputation on both fronts — it would point India in the direction of recovery.

Source: economictimes.com- Oct 30, 2019

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Heavy rains dash Telangana farmers' cotton hopes

With higher moisture content, cotton sold at the markets at a very lesser

Though a late monsoon delayed rains and sowings, Telangana farmers sowed cotton in a record 46-47 lakh acres as subsequent rains gave them a big hope for a bumper crop. The fibre output was expected to be around 45-50 lakh bales as against 36-40 lakh bales in a normal year. But incessant rains in the last five-six weeks have dashed their hopes.

Attracted by a good price of ₹5,550 a quintal (for long staple) and. Rs 5,450 (medium staple), farmers touched the 2017-18 peak of 46.85 lakh acres, more than half of the total kharif area.

As the plants are soaked due to the rainfall, farmers now fear a rout of the crop this season, barring in a few areas that witnessed relatively lesser rainfall. "In most parts of Telangana, cotton farmers witnessed daily rainfall. Farmers could reap only 10-20 per cent of the yield in most parts of the State in the first pick, which is supposed to yield about 8-10 lakh bales," Sarampally Malla Reddy of Telangana Rythu Sangham said.

More bad news is in store for the farmers if the rains continue. "If there are no rains in November, they could salvage at least the second and most crucial of the three pickings in a cotton season," he says.

As a result of heavy and continuous rains, cotton bolls, including the the ones already picked were drenched. With higher moisture content, they were fetched for very poor rates in the markets. Farmers allege that the traders took advantage and reduced the price.

As cotton arrivals have begun at the markets, farmers are getting ₹3,000-3,500 as against the recommended rate of ₹5,500 a quintal. “The second sowing resulted in doubling of the investment to about ₹40,000 an acre. In a normal year, they should get 15 quintal.

But if weather improves, they will get not more than 5-8 quintal in the remainder of the season. If they are able to get it, they will still end up in losses as they have to sell it for far less than the rates announced by the Government,” Malla Reddy said.

Source: thehindubusinessline.com- Oct 30, 2019

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Several panels later, India’s export sector a laggard, cries for bold policy push

Even as the government is set to formally release the report of a high-level advisory group under noted economist Surjit Bhalla on ways to boost exports on Wednesday, recommendations of similar panels in the past have hardly been implemented. Inadequate government action has often rendered the practice of setting up panels largely irrelevant, while the country’s export growth continues to remain below par and miss targets frequently.

Various committees, working groups, inter-ministerial panels have, in the past, suggested steps to address structural hurdles,including elevated logistics costs, inflexible labour laws and inverted/distorted duty structure (especially in textiles), which continue to cripple India’s ex-port competitiveness. Archaic labour laws have long militated against firms acquiring size and scale in critical jobs-intensive sectors, while logistics costs make up for as much as 15-16% of exporters’ consignment value. Exporters have also cried hoarse over a “strong rupee”.

But follow-up action on most of the suggestions, especially the bold ones, has been hanging fire for long. Lack of desired reforms has made exporters rely on the crutches of government subsidies that are being challenged at the WTO, such as those under the Merchandise Export From India Scheme (MEIS) that the government has now decided to replace with another WTO-compatible scheme.

No wonder, export targets have been frequently missed in recent years. The aim under the foreign trade policy (for five years through FY20) was to achieve annual exports, both goods and services, of $900 billion, which remains a dream (In FY19, the exports reached only $540 billion). While merchandise exports have contracted in three of the first six months of this fiscal, services exports are still to achieve the growth witnessed in earlier years.

The Bhalla panel was set up in September last year in the backdrop of an escalating global trade war and India's lacklustre export performance. The 12-member panel has suggested, among others, the launch of "elephant bonds" (25-year sovereign bonds) in which people declaring undisclosed income will be bound to invest 50%.

The funds will be utilised for infrastructure financing. It has also called for lowering effective corporate tax rate (before the government announced the sharp cut in corporate tax rates recently), bringing down the cost of capital and simplifying regulatory and tax framework for foreign investment. It also recommended a host of other steps that include a road map for doubling India's exports of goods and services to over $1,000 billion by 2025.

The Economic Survey 2018-19 has also favoured the implementation of the Bhalla panel recommendations (wherever possible) to boost exports. However, given the successive governments' reluctance to herald radical reforms to raise the country's export competitiveness, the fate of the report will be known only later.

Fixed-term employment options introduced for all sectors starting with garment manufacturing in 2016 haven't had the desired impact so far, either. The textile and apparel sector was subjected to various policy rigidities and taxation issues that thwarted the efforts of integrated business units with economies of scale and technological prowess to flourish. Although most of these problems have been addressed over the past decade and state support has been given to technological upgrade in this labour-intensive sector, this has proved to be too late. By the time the sector was able to reap the benefits of the changes, countries like Vietnam and Bangladesh had moved ahead and occupied the space ceded by China in the world markets for mass-consumption textile and clothing items, virtually keeping India at bay.

Admitting that many suggestions of various panels on exports and related areas have not been adopted by the government, a senior official insisted the "perceived inaction doesn't mean the reports were not taken seriously". "Recommendations are always studied in detail before the government decides to either implement them or reject them.

Not all suggestions are prudent and can be implemented because the government has to always look at the larger macro picture and not just a micro one that is limited to a particular sector. Even then, these reports offer necessary intellectual inputs for policy making. Also, some suggestions are adopted after a time lag, if not immediately," he said.

Source: financialexpress.com- Oct 30, 2019

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'Nirvik scheme may give fillip to export credit'

Claims declined in last six months

The Export Credit Guarantee Corporation of India (ECGC) is optimistic that the Nirvik scheme announced by the Union Government recently would give a fillip to export lending and insurance cover for export credit.

Geetha Muralidhar, Chairman and Managing Director of ECGC, told The Hindu recently that the scheme announced by the Minister for Commerce and Industry was expected to get government approval soon. Currently, the average cover given to banks by the ECGC is 60%.

In the last four to five years, the Corporation has paid nearly ₹1,000 crore a year towards claims to various banks and subsequently, it gradually decreased the cover.

Under the Nirvik scheme, ECGC will provide 90% cover. The additional outgo, if any, due to the enhanced cover would be supported by the government and the scheme would be valid for five years.

Though there has been a fall in claims in the last six months, the ECGC is optimistic that business and lending would pick up soon and the scheme would give a fillip to it.

ECGC also provides various direct covers and has live data and credit profile information.

It provides details of nearly 1.5 lakh overseas buyers and 20,000 exporters, she said.

Source: thehindu.com- Oct 30, 2019

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Filatex plans to enter home textiles segment

Company ramping up facilities at Dahej

Filatex India, a manufacturer of polyester and polypropylene filament yarn and polyester chips, is looking to get into value-added offerings and the B2C segment as it eyes higher margins.

The company has embarked on a ₹275-crore expansion that include ramping up facilities at Dahej (Gujarat) and also adding new lines to its plants for manufacture of fully drawn textured yarns. Around ₹200 crore will be debt.

While capacity expansion of partially oriented yarn has happened, new lines for manufacture of value-added offerings are expected to go on-stream around March 2020. Drawn textured yarns are mainly used in weaving and knitting of fabrics, for making clothes, home furnishings, seat covers, bags, among others.

NSE and BSE-listed Filatex's current capacity across Dahej and Dadra and Nagar Haveli facilities together stand at 382,000 tonnes per annum, that include a recent addition of 60,000 tonnes.

According to Madhu Sudhan Bhageria, Chairman and Managing Director, the company is considering an entry into the home textiles segment, and eyeing an estimated capex of ₹100 crore. More offerings can be explored if the foray into the home textiles is successful.

“We are planning to get into home textiles later may be in FY21. Investment details are being worked out,” he told BusinessLine.

The company is also putting up a captive power plant with a capex of ₹150 crore at Dahej. The 30-MW plant is expected to come-up in the January to March period of 2021 (Q4 FY-21). Around ₹100 crore will be borrowings while the remaining is internal accruals.

Improving margins

Post the capex cycle coming through (capacity addition and new value addition line), Filatex India is looking at a near ₹600 crore boost in its topline and a ₹70-crore improvement in bottomline in FY-21.

According to Bhageria, EBITDA (earnings before interest, tax, depreciation and amortisation) margins should also improve to 8.5-9 per cent from the existing 7.5-8 per cent levels.

“Margins are currently under pressure because of a slowdown. But things should revive November onwards,” he said.

Exports are also likely to go up to 20 per cent of the turnover with the textured yarn facility coming on stream. It currently stands at 17-18 per cent of turnover.

China continues to supply 75 per cent global demand for polyester; while India accounts for around 10 per cent. The company has a debt to equity ratio of 1.2:1 and Bhageria says the repayments are being made on time.

“In FY20, debt to equity ratio will be a bit high. But next fiscal onwards it will be in 1:1 ratio. Every year we are repaying around ₹70-80 crore,” he said, adding that cash profits are to the tune of ₹150 crore.

Source: thehindubusinessline.com- Oct 30, 2019

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CCI hosts technical seminars at spinning mills in India

The Cotton Council International (CCI), the National Cotton Council's (NCC) export promotion arm, recently hosted technical seminars in India to discuss manufacturing process improvements with mills using US cotton. The seminar provided a forum for interaction between local spinning mills, the Cotton USA technical team, and leading textile machinery firms.

More than 100 participants representing 42 textile mills and three U.S. cotton merchants attended the Cotton USA technical seminar in India. The participating mills' total cotton usage in 2018 was more than five million bales, which account for more than 20 per cent of cotton mill use in India. Fifteen Cotton USA licensee mills participated and bought more than 300,000 bales of US cotton in 2018/19, according to CCI.

The agenda included spinning best practices, Cotton USA technical benefits, how to manage consistent quality using US cotton, cotton trade, and economics, and the US Cotton Trust Protocol. The Cotton USA team presented US cotton sustainability goals for 2025, the US Cotton Trust Protocol, US cotton's traceability, microfibre study results, and independent studies on technical gems of US cotton.

Uster discussed how to manage consistent quality with mixed lot procurement and how raw material handling is the key factor in achieving the consistent quality. Rieter presented on the winning combination of US cotton and Rieter system, with a focus on the most critical attributes of cotton and the correct process to achieve the right yarn quality.

The seminar ended with a Q&A session during which the Cotton USA team and the technology companies addressed spinning mills' queries.

Source: fibre2fashion.com- Oct 30, 2019

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LMW to make machinery for Japan's DMG Mori

Textile machinery and machine tools manufacturer Lakshmi Machine Works (LMW) has started making vertical machining centre (CMX 600 Vi VMC) for DMG Mori for the Indian market.

The machine tool division of LMW will produce about 10 units a month for DMG Mori initially. "The production volume will increase in stages," according to a statement from DMG Mori.

The production is outsourced to LMW in India, "which makes possible a shorter lead time until delivery than domestic production in Japan," the statement added. India is a market with potential for DMG Mori, Masahiko Mori, its president, informed the media here on Tuesday. The company has 14 factories in seven countries with a capacity to produce 12,000 machines a year.

"India is a growing market. We want to expand the customer base (in India) with the collaboration with LMW," he said.

Sanjay Jayavarthanavelu, CMD, LMW, said the entire machinery will be assembled here and supplied. While the critical parts will be imported, LMW will do value addition. The existing facilities have been upgraded in some areas.

"We have the capacity to increase volumes," he said. "The demand came from a product gap which is filled by competitors. We realised we could fill it together with the product (CMX 600 Vi VMC). So, we came together," he said. In a communication to the stock exchanges, LMW has informed that the activity does not involve any additional capital expenditure for the company.

The machine tool division of LMW makes turning centres, machining centres and turn mill centres currently for domestic and export markets. It makes 3,200 machines a year and a 57,000 square-feet second facility of the division is getting ready, according to sources.

Source: thehindu.com- Oct 29, 2019

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