



The Southern India Mills' Association

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NEWS CLIPPINGS –22-10-2018

Mills urged not to panic on cotton situation	The Hindu https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/mills-urged-not-to-panic-on-cotton-situation/article25282579.ece
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Production will be higher, says federation

The Indian Cotton Federation (ICF) has urged textile mills not to panic on reports related to the domestic cotton situation. Contrary to some reports, the cotton situation is comfortable, it said in a press release. Federation president J. Thulasidharan has said the area under cotton for the 2017-2018 season is estimated to be 124.29 lakh hectares. The favourable monsoon and preventive measures taken to control pink boll worm are expected to result in higher production of cotton during the current season. “As per field information, the availability of cotton in terms of quality and quantity would be much better during the current season,” he said. Though pink boll worm damages were reported in some areas, the damage would be lower compared to last year. There was also a trend of area under non-BT cotton on the rise. The area had increased to more than 12.5% compared to 5% to 7% earlier. Mr. Thulasidharan appealed to the traders to avoid speculating on production estimates which lead to hike in domestic and international prices.

Cotton and Currency Markets	Kotak Commodities Research Desk For more details contact : Research@kotakcommodities.com & aurobinda.gayan@kotakcommodities.com
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A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
22015	46050	79.57
Domestic Futures (Ex-Gin) July		
Rs/Bale	Rs/Candy	USD Cent/lb
22990	48090	83.09
International Futures		
NY ICE USD Cents/lb. (Dec 2018)		78.33
ZCE Cotton: Yuan/MT (Jan 2019)		15500
ZCE Cotton: USD Cents/lb.		86.31
Cotlook A Index - Physical		---
B. Currency		

USD/INR	Close	Previous Close
Spot	73.821	73.573

Cotton Guide:

Cotton market on Tuesday traded steady with a very narrow range. December contract settled at 7833, down 30 points. The other months settled from 6 points lower to 12 points higher. Volume was 24,979 contracts. Cleared previous day were 24,863 contracts. China's ZCE futures have been holding just above 5 month lows, a similar pattern to ICE. The Market continues to trade in the same range of 75.50 to 79.50/80.40 cents for the past almost one month.

There was no major news on cotton. Cash sales of US cotton seemed almost non-existent. The unresolved trade war with China leads the list of concerns for cotton. Some chatter was that Chinese mills were choosing to buy non-US growths in support of the Chinese government.

There were continued discussions about damages from Hurricane Michael. In the heart of Georgia's growing region stretching into Southeast Alabama, there is little doubt damages have been severe. One description heard was that Michael was like a 55-mile wide tornado ripping through the largest growing region in the area. Growers commented that the storm picked the crop. Estimated losses ranged from 750,000 bales to 1.3 million bales. It might be that the starting point of the crop is more in question. Prior to the storm seasoned observers had the Delta and Southeast combined at record yields, well above the USDA projections. While some observers believe the losses from Hurricane Michael may keep growing, the market did not seem to find that as a threat. Demand needs to return. Interestingly, though, several sellers are not offering cotton until they see their crop outturns. Additional concerns were noted for the Texas crop with wet conditions and cold temperatures this week. Both yield and qualities are expected to be affected; another chip-away on supplies.

Domestic prices traded steady or slightly easy on Tuesday. Shankar-6 is quoted at Rs. 47,000 per candy, ex gin (81.10 cents/lb at today's exchange rate). Prices for Punjab J-34 are unchanged at an average of ₹4,620, ex gin (75.95 cents/lb)

The daily arrivals are gradually increasing. As of last week it was around 50 to 60000 bales which has increased to 80+K bales equivalent bales of 170kg. This includes 34,500 registered in the Northern Zone, 20,000 in Gujarat and 11,000 in Andhra Pradesh. On the futures front the October cotton ended the session at Rs. 22840 lower from previous close by Rs. 150 per bale. However, we think the trend is still positive and recommend buying on lower level. We have suggested a buy call in our weekly call section and are recommend to enter near Rs. 22700 levels. The details can be accessed from the report. For the day the trading range would be Rs. 22750 to Rs. 23000 per bale

Fx Guide:

Indian rupee has opened marginally higher to trade near 73.43 levels against the US dollar. Rupee has benefitted from improved risk sentiment. Asian equity markets trade higher after sharp gains in US market yesterday. Risk sentiment improved as upbeat US corporate earnings results reinforced optimism about US economy. However,

weighing on rupee is general gains in US dollar amid optimism about US economy and positioning ahead of FOMC minutes. Minutes of the Fed's last meeting is expected to show confidence on US economic outlook and support for continuing rate hikes. Also weighing on rupee is gains in crude oil price. Brent crude has inched up to trade near \$81.5 per barrel amid bigger than expected decline in US crude oil stocks and gains in US equity market. Rupee has benefitted from gains in equity market however global economic concerns and Fed's rate hike stance will continue to weigh. USDINR may trade in a range of 73.25-73.7 and bias may be on the upside

**Govt. extends GSTR-3B return filing
deadline to October 25**

The Hindu

<https://www.thehindu.com/todays-paper/tp-business/govt-extends-gstr-3b-return-filing-deadline-to-october-25/article25282121.ece>

To address concerns on input tax credit; 'but move comes after deadline lapsed'

The government on Sunday extended the deadline for the filing of GST form 3B returns for September from October 20 to October 25.

"It has been brought to notice that there have been apprehensions by trade and industry relating to the last date for availment of ITC [input tax credit] for the period July 2017 to March 2018," the government said in a statement. "In order to remove doubts, it was clarified that as per the law, the last date for availing ITC in relation to the period from July 2017 to March 2018 is the last date for the filing of return in the form GSTR-3B for the month of September 2018."

"In view of the said apprehensions and with a view to give some more time to the trade and industry, the last date for furnishing return in the form GSTR-3B for the month of September 2018 is being extended up to October 25, 2018," it added.

'Too late'

However, tax experts say that the deadline extension has come too late as it was announced a day after the original deadline elapsed.

"While the businesses, who could not file the return by the 20th, can avail the extension, this doesn't really help most large firms who would have already filed their return by working overtime," Pratik Jain, partner and leader, indirect tax, PwC India, said.

"Since there is no facility for amendment of the return, these firms cannot claim the credit which they might have missed," he noted. "To provide relief to industry, the government should at least extend the due date till November 20, so that credit can be claimed in October return," Mr. Jain added.

**Rupee fall, high NPAs a concern, says
Jalan**

The Hindu

<https://www.thehindu.com/todays-paper/tp-business/rupee-fall-high-npas-a-concern-says-jalan/article25282110.ece>

Govt. has taken steps to contain fall'

Former RBI Governor Bimal Jalan on Sunday said the declining value of rupee and high non-performing assets remain a cause for concern.

"I would not say it [depreciation of rupee] is cause for worry per se, in the sense that we have enough resources but the movement in rupee's value in the last couple of months has been a matter of concern," he added.

Dr. Jalan, however, pointed out that the Centre had taken measures to contain the fall of the rupee.

NPAs may be resolved

He expressed hope that bad loans issue would be resolved as the Centre has introduced IBC and the RBI has announced prompt corrective actions.

"There is no doubt that our growth rates are one of the highest in emerging markets and inflation is low," he said.

The Centre should adopt a cautious approach with regard to minimum support price as it affects the price of food grains for consumption for the poor in rural and semi-urban areas, said Dr. Jalan.

**Cotton Corp to stress on quality as it
readies for record procurement**

Business Line

<https://www.thehindubusinessline.com/economy/agri-business/cotton-corp-to-stress-on-quality-as-it-readies-for-a-record-procurement/article25264640.ece>

The move will bolster India's reputation as a source of better-quality cotton, besides fetching a premium price for the fibre

NEW DELHI, OCTOBER 19

Amid silent protests from industry, the Cotton Corporation of India (CCI) has embarked on the largest ever cotton procurement programme, projecting an ambitious target-buy of 100 lakh bales in the just-commenced cotton season (October 2018-September 2019).

This year, CCI is scripting a paradigm shift by insisting that sellers in the country meet a set of quality parameters to market their produce. No doubt, the move, if successful, will bolster India's reputation as a source of better quality cotton globally, and probably fetch the commodity a premium price that many rival countries command in the international markets. But, the move doesn't come without its teething troubles.

After it decided to up the quality parameters, CCI — the nodal agency for procuring cotton at the MSP levels — had to issue four rounds of tender to finalise ginning contracts, with the first few receiving tepid to no response.

Upping the ante

This prompted CCI to relax some of the quality norms after discussions with ginners and scientists, and a high level committee that had fixed the quality parameters. Subsequently, CCI engaged Principal Agriculture Secretaries of State governments — including Andhra Pradesh, Telangana, Maharashtra, Gujarat, Odisha, Rajasthan, Punjab and Haryana — to make the procurement a success, officials confirmed.

“It is a good thing that we have started stressing on the quality aspect. Quality, not quantity, should be more on our focus,” CD Mayee, cotton scientist and former Director of the Central Institute of Cotton Research (CICR), Nagpur, told *BusinessLine*. However, market experts understood the rationale of ginning industry’s lack-lustre response to the move. “The ginning process in India is mostly done ‘manually’ by small family businesses which could result in certain quality issues as compared to ‘international markets’ where the entire process of procuring raw cotton is automated,” said Hetal Gandhi, Director-Research at rating agency CRISIL.

From ‘kapas’ to ‘kapda’

Ginning is the process of converting raw cotton into bales. CCI procures raw cotton or *kapas* from farmers by paying them the MSP directly. Then it gets the kapas ginned and pressed — process of separating the seeds from cotton — into bales. For converting cotton to bales, it issues tenders for ginning and pressing. These bales are then acquired by spinners for processing and finally sold to textile sector.

CCI appoints ginners at a price (per quintal) through tenders. This time, it has set the prices based on various quality norms of cotton. These quality parameters were decided by a high level committee comprising CCI officials, and a scientist from the CICR.

The committee fixed tender conditions based on percentage of lint (useful material) and seed (waste material) extracted from cotton, rain or weather conditions, variety of cotton (length) and locality. “Parameters such as ‘out-turn’ have been introduced in MSP programme for the first time,” an official said.

Out-turn is a productivity parameter that takes into account the percentage of lint and seeds extracted from cotton. The lint extraction from cotton ranges from 26 to 40 per cent per bale — with 40 per cent being considered extremely good quality cotton. Most of the cotton procured in India has 30-35 per cent out-turn.

“There is a lot of scope for improving the out-turn ratio of Indian cotton as well as controlling moisture levels during the processes of compressing, baling and ginning,” Mayee of the CICR said.

Readying quality testers

Meanwhile, to aid the largest ever MSP procurement, CCI is in the process of empowering its field staff with tools

that will help determine quality of cotton, right from procurement stage, and ultimately increase transparency and help fetch the right price for the fibre. The tools include moisture-meters to measure moisture content, micronaires to measure fineness of cotton, and mini-gins that will measure the out-turn.

“The equipments have been tendered for and their availability will depend on how soon the supplies come in from the selected manufacturers. Currently, moisture meters and digital billing systems have already been put in place,” CCI’s Chairman and Managing Director P Allirani said.

These moisture meters are being digitally linked to CCI’s central server. This will prevent any doubts on the data quality. The field officers simply poke a moisturemeter into the cotton bale randomly, the moisture content is captured and data transmitted to the central computer.

**India on track to achieve \$350 bn
export target: FIEO**

SME Times

<http://www.smetimes.in/smetimes/news/top-stories/2018/Oct/16/india-export-target40951.html>

The overall exports in the month of September is close to USD 28 billion, which is the minimum exports we are looking for each month so as to reach milestone of \$350 billion, said exporters' body FIEO. Reacting to official export figures released Monday, FIEO President Ganesh Kumar said that though the September data shows a marginal negative growth primarily due to high base effect last year, the aggregate value of exports in this September is much more than in the month of April, June & July of 2018 in which we recorded as high as 17 per cent growth.

The high growth witnessed in plastic and linoleum products, organic & inorganic chemicals, petroleum products and growth in drugs & pharma, cotton yarns/fabrics/made-ups and handloom products are positive signs for future exports, opined Gupta.

India's merchandise exports declined by 2.15 per cent in September on a year-on-year basis, even as the country's merchandise trade deficit registered its lowest in last 5 months despite the currently high global crude oil prices

The reduction in trade deficit would ease out concerns of current account deficit and may sombre the Rupee fluctuation to some extent, said the FIEO Chief. Gupta reiterated his demand for augmenting the flow of credit to export sector as sharp decline in credit, when exports are growing at the double-digit, does not augur well for the future. He appreciated the initiative taken by the Finance and Commerce Minister for addressing the issue and hope banks will positively respond to it. Gupta exuded confidence that despite increasing protectionism and high volatility in currencies, Indian exporters have managed well to get new orders and remain bullish on exports in short to medium term basis.