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NEWS CLIPPINGS –27-09-2018

Why domestic cotton prices are likely to rule firm this season	Live Mint https://www.livemint.com/Money/ibRVPdWriTUF0kPTmOHAHK/Why-domestic-cotton-prices-are-likely-to-rule-firm-this-seas.html

If spinning mills are able to pass on the higher cotton prices to users, it may alleviate the burden of rising input costs

Come October, in India, it's time for the arrival of the new domestic cotton. Spinning mills look to forecasts on cotton output and prices to plan their production. This time round, in cotton season 2019, there is some anxiety among spinning mills, in spite of demand for yarn being strong.

All indicators point to cotton prices ruling firm in the coming season. First, domestic demand for cotton yarn is rising as consumption from user industries is picking up. Besides, prices of man-made fibres, such as polyester staple fibre and polyester filament yarn being linked to crude oil, are spiralling due to rising crude oil prices and rupee depreciation. The increase in price of man-made fibres has outpaced that of cotton in recent times. Hence, there could be a bias towards a higher mix of cotton in blended yarn and fabric, which in turn will keep demand for cotton strong.

Second, the government's move to increase minimum support price(MSP) for 2019 will prevent cotton prices from falling, in any eventuality.

Third, sweeping changes in US-China trade tariffs may alter the demand-supply scenario for cotton in global markets. If imports of US cotton into China reduce due to the ongoing trade war, it may accelerate imports from India into China. A report by CARE Ratings Ltd says China will import around two million bales of cotton from India in the first quarter of the new cotton season. Domestic supply may be tight. Hence, cotton prices may rise by about 5-7% and average at about ₹130/kg for season 2019.

True, these developments augur well for farmers. But, if spinning mills are able to pass on the higher cotton prices to users, it may alleviate the burden of rising input costs. According to CARE Ratings, "FY2018 was a subdued year, with cotton yarn production growing marginally by about 0.1% y-o-y after declining by about 2% during the same period in the year before." However, the Southern India Mills' Association was more optimistic about the current year, as mills had a better story on exports in the last few months.

If yarn demand continues to improve in domestic and export markets, they may weave a profitable year, in spite of higher prices. To some extent, the depreciation of the rupee gives a leg-up to exporting mills.

So far, large listed spinning mills such as Vardhman Textiles Ltd, KPR Mill Ltd and Ambika Cotton Mills Ltd have seen their margins improve in the last few quarters.

However, what may take a toll on profits, especially for smaller mills, is a higher working capital requirement when they procure cotton at higher prices at the start of the season. A true picture of mill prospects will be known only by early January as estimates for the 2019 season are in place. In any case, the higher MSP for cotton leaves little choice for mills. If cotton prices continue to be firm, then mills have to bank on higher yarn prices and sales to sustain profitability.

Cotton and Currency Markets	**Kotak Commodities Research Desk** **For more details contact :** Research@kotakcommodities.com **&** aurobinda.gayan@kotakcommodities.com

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
22087	46200	81.15
Domestic Futures (Ex-Gin) July		
Rs/Bale	Rs/Candy	USD Cent/lb
22220	46479	81.64
International Futures		
NY ICE USD Cents/lb. (Dec 2018)		78.55
ZCE Cotton: Yuan/MT (Jan 2019)		16020
ZCE Cotton: USD Cents/lb.		89.79
Cotlook A Index - Physical		88.05
B. Currency		
USD/INR	Close	Previous Close
Spot	72.620	72.695

Cotton Guide:

Market is very quiet this week after last week's massive action in the price. Since it made low price of 77.90 cents for active December future it is currently hovering within 100 points.

December posted another negative close at 78.55 down by 44 points. Absolutely no difference in market, dynamics have kind of turned static, trading volumes are thin and no significant change in the contract wise open interest. In fact there are no development as such so far this week.

While we collate that with technical backdrop we see it yet making another flag pattern or consolidation band. Either side break out would determine a fresh trend. Since cotton is currently into bearish trend it is likely that may break onto lower side. For the remaining days of this week we expect it to have 80.40 as key resistance level while 77 as support.

On other side of the world ZCE cotton witnessed the thinnest movement and volume in this week. Price ended lower by more than 1.5%

Meanwhile, Chinese State Reserve cotton on Wednesday's auction had a turnover rate of 39.78 percent, spinners only. Offered were 33,079.823 tons (151,936 bales); and sold were 13,159 tons (60,440 bales). The cumulative turnover rate is 58.66 percent (offered versus sold). This auction series started at 24.1 million bales and 12.88 million bales remain. We aren't observing anything surprise in this data on a daily basis. Soon the auction series will also be over. May be Chinese import have some effect on cotton market dynamics in the later part of the year.

There are no developments expect that regular weekly export sales report will be released by USDA in the early hour of trading session. Any surprise in the data may have impact on price. Further later in the late US session weekly CFTC on-call report will be released.

Coming to domestic market the spot price of Shankar-6 variety of new 2018-19 crop traded around 45700 to Rs

45800 per candy ex--gin. The daily arrivals are around 12 to 15000 bales with almost so far nil from Gujarat while figures are from North India and Maharashtra.

Lastly on the futures front the October future ended around Rs. 22200 to 22250 per bale and we expect market to remain sideways. As indicated it may soon take support near Rs. 22K per bale.

. **FX Guide:**

Indian rupee opened little changed to trade near 72.7 levels against the US dollar. Rupee remains pressurized by higher crude oil price and Fed's rate hike expectations. Brent crude trades near $82 per barrel after testing four year high on concerns about tightening global supply due to falling Iranian exports. Higher crude oil price will keep concerns high about inflation and trade deficit. The US central bank is expected to raise interest rate by 0.25% to 2-2.25%. Rise in US interest rate could result in investor outflows. On domestic front, market players are awaiting government announcement over measures to support the currency. As per Bloomberg reports, Indian government has asked ministries to finalize plans to reduce inbound shipments of certain steel products, electronic goods such as mobile phone components, some petroleum products and capital goods to reduce demand for dollars. Rupee may witness choppy trade as market players await more clarity on Fed stance and Indian government measures to boost the currency but overall sentiment is still weak. USDINR may trade in a range of 72.4-72.9 and bias may be on the upside.

RIL partners with Vardhman Textiles to develop 'R|Elan' fabric	**Business Standard** https://www.business-standard.com/article/news-ians/ril-partners-with-vardhman-textiles-to-develop-r-elan-fabric-118092601302_1.html

Reliance Industries (RIL) has entered into a partnership with Vardhman Textiles to manufacture its "R|Elan" fabric.

As a part of this engagement, RIL's "R|Elan" technical team will work closely with Vardhman to develop a variety of new manufacturing processes to manufacture specially engineered fabrics.

"The innovative high-quality fabric collection will straddle across the performance and sustainable themes in formals, casuals and other women wear segments," the company said in a statement on Wednesday.

"R|Elan technical team will provide the technical knowhow, specifications and parameters to ensure the best quality fabric is produced."

R|Elan technologies have emerged out of RIL's research and development efforts and its vast expertise in fibres manufacturing.

RIL has partnered with more than 30 players that are equipped to produce new-age fabrics using R|Elan technologies.

China announces fresh import tariff cuts amid brewing trade war	**Reuters** https://www.reuters.com/article/us-china-economy-tariffs/china-announces-fresh-import-tariff-cuts-amid-brewing-trade-war-idUSKCN1M61EH

China on Wednesday unveiled plans to cut tariffs for products including machinery, electrical equipment and textile products beginning on Nov. 1, as the country braces for an escalating trade war with the United States. The cuts on over fifteen hundred industrial products are expected to lower costs for consumers and companies by about 60 billion yuan this year, the state cabinet said in a meeting chaired by Premier Li Keqiang, according to the state radio. The overall tariff level will be reduced to 7.5 percent in 2018 from 9.8 percent in 2017 as a result, the state cabinet said.

Beijing has pledged to take steps to increase imports this year amid rising tension with some of its biggest trade partners, such as the United States.

Beijing accused Washington of “putting knife to its neck” as U.S. tariffs on $200 billion worth of Chinese goods kicked in on Monday, prompting Beijing to retaliate with additional tariffs on $60 billion of U.S. products including liquefied natural gas (LNG

Average tariffs for machinery and electrical equipment - one of China’s biggest imports by value - will be reduced by nearly a third to 8.8 percent from 12.2 percent, the state cabinet said.

China imported over $632 billion worth of machinery and electrical equipment in the first eight months of the year, up 19.6 percent year-on-year, official data showed. Tariffs on textile products and construction materials will drop to

8.4 percent from 11.5 percent, while the tariff on paper products will be lowered to 5.4 percent from 6.6 percent.

Earlier in July, China reduced import tariffs on a range of consumer items including apparel, cosmetics, home appliances, and fitness products to fulfill pledges to further open China's consumer market.

India could become a beneficiary of the US-China trade spat	**The old star** https://theloadstar.co.uk/india-become-beneficiary-us-china-trade-spat/

India's forwarding community remains confident the world will overcome the present surge of protectionism.

Speaking yesterday at the Fiata World Congress in New Delhi, chief executive of Freight Systems David Philips said the world was driven by supply and demand.

"We will overcome the wave of protectionism we are seeing, and the same is true of the trade war taking place between China and the US," he said.

"It is important to remember that if the US cannot buy the goods its citizens need from China, it will buy them from elsewhere. Likewise, if China cannot supply its goods to the US market, it will sell to other markets."

Mr Philips' optimism mirrors wider-held views that the conflict between the world's two economic superpowers could be beneficial for India, particularly its textile manufacturing sector.

Sanjay Lalbhai, managing director of Indian garment manufacturer Arvind, told Bloomberg in July his company was running at full capacity and would need to consider outsourcing to meet "likely" US demand.

"India may benefit, as both Chinese and US customers look to meet the demands of their populations," Mr Philips added. "Whatever happens, people will still need shoes for their feet and shirts on their back, and this is where India could benefit."

However, some believe India's increasing trade surplus with the US –which hit $24bn in manufactured goods last year – will make it the next country to appear in the Trump administration crosshairs.

In a blogpost, a research assistant at the Pahle India Foundation, Aakanksha Shrawan, suggests the best gains may actually arise from the Chinese market.

"India might potentially gain from the fact that China is looking to reduce its dependence on the monopoly of US technology companies," said Ms Shrawan.

"India might be a contender as its technology industry is graduating to a higher level… with hourly manufacturing wages in China around five times greater than those paid in India."

2.30 lakh metric tonnes cotton yield expected: Collector RV Karnan	**Telangana Today** https://telanganatoday.com/2-30-lakh-metric-tonnes-cotton-yield-expected-collector-rv-karnan

The District Collector said the government enhanced the MSP for cotton this year. Cotton produce having moisture content below 12 per cent would be offered at Rs 5,450 per quintal.

Collector RV Karnan directed Khammam district officials to make arrangements for the procurement of cotton in 2018-19 kharif season. He chaired a review meeting with the officials of revenue, marketing, agriculture and legal metrology departments, representatives of Cotton Corporation of India (CCI), traders, hamali and auto trolley associations here on Wednesday.

Karnan said the government enhanced the MSP for cotton this year. Cotton produce having moisture content below 12 per cent would be offered at Rs 5,450 per quintal. CCI and ginning mills should maintain cordial working environment and officials concerned make efforts in that direction. Officials have to prepare a schedule on transportation of cotton to market and fire engines have to be deployed to handle emergency situations, he noted.

The Collector also wanted belt shops around the market yard closed and asked officials to curb unauthorised procurement centres and prevent middlemen from exploiting farmers. Metrology officials have to check all the weighing machines before procurement season begins. Marketing officials should conduct programmes to educate farmers to transport cotton to market in an orderly fashion and keep tarpaulin sheets available, collector added.

Additional DCP, D Muralidhar Rao, district marketing officer R Santhosh Kumar, agriculture officer Jhansi Lakshmi, district fire officer Jayaprakash, legal metrology officer G Ashok Babu and others took part in the meeting.

With 166 stocks wiping 85% wealth, Textile stocks recorded a net loss of ₹3000 crore	**The Indian Wire** https://www.theindianwire.com/business/166-stocks-wiping-85-wealth-textile-stocks-recorded-net-loss-%E2%82%B93000-crore-76631/

The players of Textile stock notified net loss of above ₹3000 crore on an average basis in the first quarter of the FY19. As per Economic Times, the net loss for the same quarter last year was ₹450 crore.

Investors lost 85% of investor’s wealth owing to depreciating Indian currency along with currencies of other apparel importing-nation

Although investors believe that the market is soon going to be conducive owing to increasing consumption expenditure and high export demand.

Many of the textile stocks including Bombay Dyeing & Manufacturing Company, Monte Carlo Fashions and Raymond, Arvind were trading low between 12-25%. Further, SRK Industries, JBF Industries, Blue Bends, Bombay Rayon, Provogue (India) lost upto 85% since 2018.

On the flip side, top gainers like Fairdeal Filament, Jamshri Ranjit singhji, Spinning & Weaving Mills Company had sharing trading above 100%.

As per JM Financial quoted by ET NOW, Extension of the merchandise exports from India scheme (4 per cent export benefit), rupee depreciation and settling of market place disruption in the US should be welcome relief to the domestic textile exporters.