The Southern India Mills' Association
Post Box No. 3783, 41 Race Course, Coimbatore - 641 018
Phone: 0422 4225333 | Fax: 0422 4225366
E-mail: info@simamills.org | Web: www.simamills.org

NEWS CLIPPINGS –14-11-2018

ICF estimates cotton production to be over 370 lakh bales	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/icf-estimates-cotton-production-to-be-over-370-lakh-bales/article25489686.ece

The Indian Cotton Federation (ICF) has estimated cotton crop for 2018-19 in the country to be 373 lakh bales of 170 kg a bale.

In a press release, the Federation said production in the north zone was expected to be 61 lakh bales (Punjab, Haryana, and Rajasthan), the central zone, 200 lakh bales (Gujarat, Maharasthra, and Madhya Pradesh), and the south zone 107 lakh bales. Production from the entire country was expected to be 373 lakh bales and imports might be 18 lakh bales. The provisional estimate for consumption was 320 lakh bales.

Federation president J. Thulasidharan said the Cotton Advisory Board that announced the cotton crop situation had not met for a long time. Without an official crop estimate, there were uncertainties about the cotton crop situation. There were also reports of a lower crop. The uncertainties were leading to hardships for cotton trade and the textile mills.

According to a study by the Federation, the average crop size in the last 12 years in the country is 377 lakh bales. The average of the worst year is 348 lakh bales. For the cotton year 2018-19, it is said that close to five lakh packets of cotton seeds are sold. Except for a few pockets in Karnataka, Maharashtra, and Gujarat, all the cotton growing areas have received sufficient rain. So, the cotton production this year should be higher, it said.

Powerloom industry demands exemption from GST	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/powerloom-industry-demands-exemption-from-gst/article25489866.ece

The Powerloom Workers' Union affiliated to the CITU has urged the Centre to exempt powerloom textiles from the purview of the Goods and Services Tax (GST). A resolution passed at the district-level conference of the union held at Ilampillai near here on Sunday said that powerloom industry was already facing many serious problems and bringing it under the purview of GST has only worsened the situation.

Chandran, district president of the union, presided over the event.

Applications for free sewing machines	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/applications-for-free-sewing-machines/article25489633.ece

The Chennai Collector has announced that differently abled persons in Chennai, who know tailoring, can apply for the free sewing machines given by the government.

Those interested can send their applications to District Differently Abled Welfare Office, DMS Compound, Teynampet, Chennai 600006, with the photocopies of identity cards.

New index to check ease of doing agri-business	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/new-index-to-check-ease-of-doing-agri-business/article25489452.ece

Centre to reward high-performing States

States may soon start receiving extra funding for the Agriculture Ministry's flagship schemes on the basis of their performance in encouraging agri-business, especially with regard to marketing, land and governance reforms.

The Centre expects to roll out a new Ease of Doing Agri-Business Index early next year, which will rank the States on the basis of such reforms, as well as their investment in agriculture, increased productivity, reduction of input costs, and risk mitigation measures. "In future, the Ministry may consider rewarding the higher performing States [both in absolute and incremental terms] by linking the performance with allocation from flexi funds made available in various flagship schemes of this Ministry," says a recent concept note for the Index.

NITI Aayog already brings out a Agricultural Marketing and Farm Friendly Reforms Index, rating States on their implementation of such reforms. In the initial edition of that Index in 2016, Maharashtra stood first in the rankings, followed by Gujarat.

The proposed index has a wider ambit, but the focus is still on reforms, with marketing reforms (25%) and governance and land reforms (20%) carrying almost half of the weight of the parameters in its scoring system.

Govt to press hard to align RBI regulations with international norms	**Business Standard** https://www.business-standard.com/article/finance/govt-to-press-hard-to-align-rbi-regulations-with-international-norms-118111301650_1.html

In the regulator's central board meeting, it will ask the RBI to ease provisioning norms for micro, small and medium enterprises (MSMEs) to bring them in line with the Basel framework

The Union government will continue to push the Reserve Bank of India (RBI) to align its regulatory capital norms and the prompt corrective action (PCA) framework with Basel-III guidelines, an international regulatory framework for banks, in a crucial meeting next week.

In the regulator's central board meeting, it will ask the RBI to ease provisioning norms for micro, small and medium enterprises (MSMEs) to bring them in line with the Basel framework. Government representatives will also be present in the meeting on Monday.

The government has argued while the Basel framework requires the application of minimum capital norms to internationally active banks but the RBI has applied the norms to all scheduled commercial banks in India, irrespective of their global presence.

The government has based its argument on the Basel Committee on Banking Supervision's (BCBS's) assessment report on Basel-III regulations in June 2015 that observed "several aspects of the Indian framework are more conservative than the Basel framework".

However, two RBI Deputy Governors publicly reasoned last month why India required a stricter regime than the Basel framework.

Basel-III, which provides minimum standards to be met by banks, is being implemented in India in phases since April 2013, and will be fully implemented by March 2019. Sources said India had four internationally active banks, including State Bank of India, Bank of Baroda and ICICI Bank, citing the BCBS report. These are banks with more than 10 per cent assets on their international books.

However, the RBI's perspective is that it wants all commercial banks to have the same set of standards in a bid to prevent any potential build-up of risk in the banking system.

The government is in favour of adopting the international guidelines (Basel-III norms), to be implemented ideally in the case of four banks in India as a stricter regime followed by the RBI has a "significant impact on capital requirements of banks", sources said. In addition, the government has flagged how countries like the US, Peru, Japan, the Philippines, along with the European Union, do not use net non-performing assets (NPAs) and profitability, in the form of return on assets, as additional parameters to put banks under their early intervention regimes (known as the PCA framework in India).

Another critical issue bothering the government is that the capital requirements set by the RBI are higher than the international standards. According to the regulator, common equity tier 1 (CET-1) of banks must be at least 5.5 per cent of its risk-weighted assets and Tier-I capital 7 per cent — 1 percentage point higher than the Basel-III norms.

"A higher capital norm leads to additional capital requirement, restricting lending ability and income generation," a government source said.

Banks are required to maintain a minimum capital, in terms of capital-to-risky asset ratio (CRAR) and common equity tier (CET)-1, to ensure they do not lend all the money they receive as deposits and keep a buffer to meet future risks.

The capital adequacy ratio of banks is considered to be one of the key indicators of banks' health.

However, during a lecture at the Indian Institute of Technology Bombay last month, RBI Deputy Governor Viral Acharya had said Basel norms were only a floor and after the global financial crisis, many countries required their banks to hold capital at higher levels. These include Brazil, Mexico, China, Singapore, South Africa, Turkey and Switzerland.

In addition, the government wants the RBI to do away with the need for maintaining a capital conservation buffer (CCB) — an additional layer of common equity — for the present financial year. Basel-III requires the CCB to be maintained "during normal times (i.e. outside periods of stress)" at 2.5 per cent of risk-weighted assets by March 2019. The government feels that a phased implementation of the CCB between 2016 and 2019 coincided with stress in balance sheets of public sector banks.

In a speech last month, RBI Deputy Governor N S Vishwanathan said the current level of provisions done by Indian banks for expected losses arising out of NPAs was not enough and "adequate buffers have to be built" in.

"Front-loading of regulatory relaxations before the structural reforms fully set in could be detrimental to the interests of the economy," Vishwanathan had said. A government official said PSBs had done a provisioning close to 70 per cent for expected losses arising out of NPAs.

On the PCA framework, the government feels the additional triggers, apart from the minimum capital requirement, restricts the growth of Indian banks.

Currently, any of the three scenarios — banks registering a net NPA level of 6 per cent, two consecutive years of negative return on assets, defined as a percentage of profit to average total assets, or the capital adequacy ratio falling below the regulatory requirement — can prompt the RBI to put a bank under PCA.

The PCA framework, introduced in 2002, was tightened by the RBI in April 2017, following consultations with the government. However, according to a report by Bank of International Settlements in April 2018, "asset quality indicators can provide useful complementary information."

In countries like Peru, United States and Japan, their early warning systems are triggered automatically as against a discretionary action by the RBI in India. The RBI considers putting a bank under PCA based on its financial results and supervisory assessment.

While revising the PCA framework in 2017, the RBI revised the minimum net NPA ratio threshold from 10 per cent to 6 per cent and introduced a negative return on assets ratio as an additional parameter. However, the RBI also put some corrective actions to be prescribed by it from mandatory actions to a "more comprehensive menu of 'discretionary actions'."

An official said public sector banks are wary of lending to MSMEs due to higher risk weights assigned to them compared to Basel norms. While an unrated MSME is assigned a risk weight of 100 per cent and a BB-rated MSME gets 150 per cent, the Basel-II framework prescribes a risk weight of 75 per cent, the source added. However, according to Vishwanathan, the losses due to loan defaults in India are much higher than what is observed internationally. "It would be evident that with this kind of default behaviour, applying the Basel specified risk weights would understate the true riskiness in the loan assets carried on the books of Indian banks," he had said during his speech.

RCEP pact put off till next year	**Business Line** https://www.thehindubusinessline.com/economy/rcep-pact-put-off-till-next-year/article25487275.ece?homepage=true

Trade Ministers seek more time to discuss e-comm, competition, investment issues

Trade Ministers from the 16-member countries negotiating the Regional Comprehensive Economic Partnership (RCEP) agreement, including India, China and the ASEAN, have decided to push the year-end target for a "substantial conclusion" of the talks by a year due to differences on key issues.

"Ministers guided the negotiators to deliberate further on e-commerce, competition and investment chapters where consensus could not be reached during this meeting. Ministers urged the negotiators to intensify their work with a view of narrowing gaps and finding balanced outcomes in the negotiations with the aim of concluding negotiations by 2019," according to an official release of the Commerce Ministry.

Commerce & Industry Minister Suresh Prabhu led the Indian delegation at the RCEP Ministerial meeting in Singapore on Monday and Tuesday. Trade Ministers will now give their inputs to the heads of State of RCEP countries scheduled to attend the Summit meeting on Wednesday. Prime Minister Narendra Modi will represent India at the meet.

The RCEP also includes Japan, South Korea, New Zealand and Australia and together the 16 nations account for 40 per cent of world trade.

Different opinions

While most members, including many of the ASEAN countries, were keen to have a part-conclusion of the RCEP pact by the year-end, India, backed by Malaysia, the Philippines and Vietnam, was of the opinion that market access issues needed to be ironed out both in goods and services and there was need for more time.

The Ministers acknowledged that good progress had been made in the negotiations with successful conclusion of seven chapters which include economic and technical cooperation, small and medium enterprises, Customs procedures and trade facilitation, government procurement, institutional provisions, standards, technical regulations and conformity assessment procedures and sanitary and phytosanitary (SPS) norms, the release said.

On the side lines of the RCEP, the Commerce Minister held bilateral meetings with his counterparts from Singapore, China, Japan and New Zealand. He discussed bilateral issues and progress in RCEP negotiations. He also had pull-aside meetings with Trade Ministers of South Korea, Indonesia, Cambodia, Malaysia, Australia and Philippines to discuss matters of mutual interest.

4 new units coming up in AP	Business Line https://www.thehindubusinessline.com/news/national/4-new-units-coming-up-in-ap/article25487440.ece

Four major units are coming up in Andhra Pradesh with an approximate investment of ₹4,000 crore, generating nearly 20,000 jobs, according to a press release.

Chief Minister N Chandrababu Naidu, presiding over the State Investment Promotion Board meeting at the Secretariat in Amaravati, gave the green signal for setting up the units.

Arvind Mills unit

Arvind Mills is setting up a greenfield integrated textile plant for the first time outside Gujarat at Kuppam in Andhra Pradesh, with an investment of ₹700 crore with a capacity to manufacture 24 million garments and 24 million fabric a year.

The textile plant will provide employment to 80 per cent of women with 9,300 direct jobs. Arvind Mills, producing denim jeans, is likely to start production in February 2020. The Chief Minister is likely to lay the foundation for the unit on December 13, when he attends MSME conclave at Tirupati.

THK plant

THK, a leading Japanese manufacturer of linear motion equipment manufacturing company, will set up a manufacturing facility in Sri City, Chittoor district. The unit will provide a fillip to machine tool industry in India by providing components essential to increased precision, rigidity, speed and energy efficiency.

International Flavours and Fragrances India Pvt Ltd is ready to set up a flavours and fragrances unit at Chittoor at a cost of ₹525 cr to provide employment to 450.

Doowon Climate Control India Pvt Ltd is ready to set up an ancillary unit of Kia motors at Anantapur with an investment of ₹210 crore to provide employment to 350 people. Dong — A Hwasung India Pvt Ltd is also ready to set up an ancillary of Kia Motors at Anantapur with an investment of ₹35 crore to provide employment to 71 people.

THK's first plant in India will be located in Andhra Pradesh, providing employment to over 600 people with an investment of ₹800 crore.

Saint Gobain investment

Saint Gobain will invest ₹2,000 crore for plasterboard, gypsum and glass manufacturing with an annual capacity of 11 lakh metric tonnes at Atchuythapuram in Visakhapatnam district. The unit would employ 1300 workers and will build an ecosystem and funnels the entire value chain of gypsum and glass based products.

On the occasion, Chief Minister Chandrababu Naidu exhorted the State Investment Promotion Board officials to intensify their efforts to attract more number of industries to the State.

Minister for Industries N Amaranatha Reddy, Principal Secretary of Infrastructure and Investments Ajay Jain and others were present.

China's largest bank offers $200 mln lifeline to Indian MSME sector	**Ibtimes.com** https://www.ibtimes.co.in/chinas-largest-bank-offers-200-mln-lifeline-indian-msme-sector-785433

China's largest bank has lined up a sizeable investment in India's burgeoning micro, small and medium enterprises (MSME) sector. The Industrial and Commercial Bank of China (ICBC) will funnel as much as $200 million into the Indian small scale sector, through its Mumbai-based Indian unit, PTI reported.

India's fast-paced economic development and unique demographic advantages have made the MSME sector promising, but the ongoing NBFC crisis has caused a paralysing funding crisis.

In the current round of funding, seven to eight start-ups could get a commitment to the tune of $30 million, the Indian embassy said in a statement issued in Beijing.

"... the ICBC India has established a USD 200 million fund for investing in the promising Indian micro, small and medium enterprises (MSMEs) and ventures," the embassy statement said.

The offer from Chinese venture capitalists came at a pitching session and seminar organised by the Indian Embassy in partnership with the Start-up India Association (SIA) and Venture Gurukool.

Last year, the start-up India investment event hosted by the embassy had resulted in funding to the tune of $15 million to four Indian firms.

Last month, a parliamentary committee report said rising imports from China badly affected the micro, small and medium enterprises (MSMEs) sector. The sector's employment-generation potential was particularly hit by the influx of Chinese goods, the report said.

Fund Crunch In Small Scale Sector

Sectors like textile, steel and power were especially hit, the report said. "The stainless-steel industry is a case in point, where a number of MSMEs have had to close down, particularly manufacturers of stainless steel grades of the 200 series due to Chinese imports," the 'Impact of Chinese goods on Indian industry,' report said.

Earlier this month, Prime Minister Narendra Modi unveiled an ambitious credit scheme for the sector. Entrepreneurs in the small and medium sector would get loans of up to Rs 1crore in 59 minutes, the PM said.

The 12-point 'Support and Outreach Initiative' came at a time when the liquidity crunch at non-banking finance companies (NBFCs), spawned by an unravelling at the colossus IL&FS, threatened to hit credit flow to the MSME sector.

CCI cotton procurement yet to pick up as prices above MSP	**Financial Express** https://www.financialexpress.com/economy/cci-cotton-procurement-yet-to-pick-up-as-prices-above-msp/1381018/

Cotton Corporation of India (CCI) has started procurement of cotton at Minimum Support Price (MSP) from farmers in Warangal district and Mehboob Nagar of Telangana. The process is yet to pick up pace with cotton prices already hovering over Minimum Support Price (MSP).

P Alli Rani, CMD, CCI said, “the procurement operations have just started and the Corporation has purchased nearly 3,000 bales from Warangal and 50 bales from Mehboob Nagar. Some bales are also procured from Akola in Maharashtra. The cotton prices are ruling above MSP in most cotton producing regions and arrivals are yet to pick up.”

According to her, “market prices are above the MSP by Rs 50 to Rs 100 which is good for us. When the daily arrivals pick up, the situation may change. Currently traders are offering prices a little higher than MSP. The presence of CCI in the market is also keeping prices above MSP.”

CCI has also opened some 348 centres across the country which can be scaled up to 390 centres depending on the requirement, she said.

Of the 40 centres in Telangana, purchases have begun in 6-7 centres and arrivals are nearly 1 lakh bales. Cotton prices are currently ruling at Rs 5,800 per quintal in most places including Khandesh in Maharashtra. According to Alli Rani, prices were high as farmers are holding onto their stocks. “We had estimated that prices would fall after Diwali and are watching the situation,” she said.

Since the start of the cotton season on October 1, more than 20 lakh bales are said to have arrived in the market. Alli Rani said this is small as compared to the estimates of 350 lakh bales of the crop for the entire season. Trade and industry associations have given varying estimates for cotton production this year (October 2018 to November 2019), with expectations ranging from 343 lakh bales to 380 lakh bales.

Experts: CPTPP to create impetus for textile, footwear industries	Vietnam Plus.com https://en.vietnamplus.vn/experts-cptpp-to-create-impetus-for-textile-footwear-industries/141773.vnp

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreement is expected to aid Vietnam's exports, especially textiles and footwear industries, when it takes effect, according to experts.

One of the key contents of the CPTPP is the removal of 95-98 percent of tariff lines as soon as the agreement enters into force. The remaining tariff lines will be cut over the next seven years, moves predicted to aid the growth and export turnover of the two industries.

Vietnam's garment and textiles export turnover hit 25.2 billion USD in the first 10 months of 2018, up 17.1 percent year-on-year. Meanwhile, footwear exports were valued at 13 billion USD, 9.7 percent higher than in the same period last year.

The export turnover of garment and textiles recorded growth in key markets such as the US, the EU, the Republic of Korea, China and member nations of the CPTPP.

According to the Vietnam Textile and Apparel Association (VITAS), the CPTPP will help Vietnam accelerate its growth and make the export market more balanced. The zero-percent tariffs will help the country's textile and garment industries expand market share in countries with high tax rates like Canada, New Zealand and Australia.

Vietnam's export turnover of the industry is forecast to reach 35 billion USD in 2018. The figure is expected to climb to 50 billion USD in 2025.

Experts, however, also pointed out difficulties facing the sector.

The CPTPP sets strict requirements on product origin, which is a big challenge for Vietnamese enterprises and the textile and garment and footwear sectors in particular, as they are heavily dependent on material sources imported from China, India and other ASEAN countries.

Truong Van Cam, Vice President of VITAS said the current source of materials for Vietnam's textile and garment industry is limited.

The US, the EU and Japan are now the three largest export markets of Vietnam.

Vietnamese exporters have been advised to continue promoting the support industry, and ensure the origin of raw materials for production.

For the footwear industry, the CPTPP is also an opportunity for exporters to expand their markets to Chile, Australia, New Zealand, Mexico and Canada and Japan.

Experts said Vietnamese exporters of footwear have great opportunities to sell products in Japan, one of the key markets for the sector.

If enterprises know how to make full use of terms from the CPTPP, growth in this market is likely to increase, they stressed.

Vietnamese businesses will also have more opportunities in Canada, which will impose a zero import tariff on both leather shoes and handbags immediately.

However, to benefit from this agreement, footwear enterprises will have to overcome considerable challenges.

According to Nguyen Duc Thuan, Chairman of the Vietnam Leather and Footwear Association (Lefaso), businesses should explore regulations related to customs procedures and logistics of member countries of the CPTPP, while improving the quality of their products.

The government should support enterprises by creating a fair playground and minimising administrative procedures to protect Vietnamese firms in the domestic market, Thuan said.

Phi Ngoc Trinh, General Director of the Ho Guom Garment Group, said his company has invested in equipment and built more factories and production lines to meet quality standards of fastidious markets.

Meanwhile, Vu Duc Giang, Chairman of the Board of Directors of Bao Minh Textile JSC, said all production lines of the firm use the most advanced equipments from famous global brands.

Each year, Bao Minh provides more than 35 million metres of high quality fabric for the fashion brands. The firm has contributed to increasing the supply of raw materials in the country, helping businesses reduce imports of raw materials

Tanzania's cotton production increases by 67 pct: official	**Xinhuanet.com** http://www.xinhuanet.com/english/2018-11/14/c_129993300.htm

Cotton production in Tanzania has increased by 67 percent this harvest season compared to the previous one due to increased investment in the crop and strengthened regulation of agricultural inputs, a senior official said Tuesday.

Omary Mgumba, Tanzania's Deputy Minister for Agriculture said that cotton production jumped to 221,600 tonnes in the current season surpassing the 133,000 tonnes produced during the previous season. He said that the government through the Tropical Pesticides Research Institute and Tanzania Official Seed Certification Institute has been keen enough in regulating the quality of agricultural inputs by undergoing germination tests of cotton seeds before taking to farmers for sowing.

"The government's plan is to create good environments that could increase farmers' efficiency, productivity and eventually profit. So, we'll continue investing in improving the crop in the country," Mgumba said when speaking in the country's capital Dodoma during the ongoing parliamentary sessions.

Cotton is Tanzania's largest export crop after coffee. It contributes to 24 percent of total agricultural exports and 4 percent of total exports. Simiyu, Shinyanga, Mwanza, and Singida regions have been cited as Tanzania's cotton growing giants out of seven chief cotton producing Lake Zone regions.