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NEWS CLIPPINGS –26-11-2018

Cotton production estimated to decline	The Hindu https://www.thehindu.com/business/Industry/cotton-production-estimated-to-decline/article25592125.ece

'Mill performance points to good year'

Cotton production this season might be less than that seen last year. According to provisional estimates made by the Cotton Advisory Board, which met on November 22, the production from October 2018 to September 2019 is estimated to be 361 lakh bales as against 370 lakh bales last season.

While the total area under cotton for last year was 124.29 lakh hectares, it was 122.38 lakh hectares for this season. The average yield (kg per hectare) has also reduced from 506.07 to 501.47.

Cotton demand by textile mills, including small-scale units, might be slightly higher this year at 305 lakh bales from 303 lakh bales last year.

K. Selvaraju, secretary general of Southern India Mills' Association, who took part in the Board's meeting, said that while there is not much change in area, parts of cotton growing areas in Gujarat and Maharashtra experienced shortfall in rains.

This might hit cotton production.

However, crop estimates are provisional and can change in the coming months. With a better domestic market, the performance of textile mills has improved after March. So, cotton demand by the mills is projected to be higher. It is likely to be a comfortable year for both farmers and the industry, he said.

WTO needs to be reformed, not destroyed, says Indian trade minister	Channel News Asia https://www.channelnewsasia.com/news/asia/wto-india-world-trade-minister-suresh-prabhu-trump-rcep-10968280

Dismantling the organization that US President Donald Trump has threated to pull out of would be a disaster for world trade, says Suresh Prabhu.

Indian Commerce and Industry Minister Suresh Prabhu argues that the international trade body, the World Trade Organization, is in need of reform but definitely should not be dismantled.

“The absence of the WTO will be a disaster for the entire world trade,” the veteran Indian politician said in an interview on Channel NewsAsia’s Conversation With.

The commerce minister’s remarks fly in the face of recent comments by the Trump administration. In August, United States President Donald Trump threatened to pull out of the 164-member trade organization if the WTO did not “shape up”.

Meanwhile, the US is embroiled in a trade war with China, with America imposing tariffs covering US$250 billion of Chinese goods sold to the US, while China has hit back by putting counter-tariffs on US$100 billion worth of American goods imported into China.

But the US has also lashed out other big economies such as India, with President Trump calling the South Asian country “Tariff King” – and complaining to the WTO about perceived unfair subsidies by India to its agricultural exports like cotton. India is the world’s second largest cotton exporter.

Mr Prabhu made his name during his time as India’s Railway Minister, helping to start the reform of India’s massively over-crowded and accident-plagued rail system. The soft-spoken 65-year-old was moved though in 2017 to India’s Commerce Ministry to handle another growing problem – trade.

However, Mr Prabhu downplayed the trade tensions between the US and India.

“I don't think having trade-related issues is something of any serious magnitude,” he said. “It's inevitably bound to happen because if you have a trade relationship, you're bound to have some issues coming out of the relationship.”

At the same time, President Modi’s administration in New Delhi has been facing domestic criticism about plans to join what is seen as a China-backed trade bloc: The Regional Comprehensive Economic Partnership (RCEP).

RCEP would cover 16 countries – including the Association of Southeast Asian Nations, India and China - accounting for a whopping 40 per cent of global trade. If the deal were to be signed, RCEP would become the world’s largest free trade bloc.

However, critics worry that India – which is already running trade deficits with many of the RCEP countries – would be in poor position, having to open up its large market to even more outside goods and making its already significant trade deficit even worse.

“We will never have an agreement that is not in India's national interest ... But if I only say only India should benefit and others should lose, then all other countries will come up with the same argument, (and) there will be not be any agreement,” the Commerce Minister said.

With China mired in a trade war and weakening domestic demand, India has taken over as one of the fastest-growing of the big economies in the world. The International Monetary Fund predicts that the South Asian nation will grow at 7.4 per cent in 2018 and 7.8 per cent in 2019. This is a good clip ahead of the IMF’s outlook for the world economy, which looks set to grow at 3.9 per cent next year.

“Actually India is growing, the fastest growing large economy in the world. So what you're saying is absolutely right, we could even have grown at 10 percent if the global challenges that exist today were not there,” the Commerce Minister concluded.

GIM: textile sector unlikely to attract major investments	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/gim-textile-sector-unlikely-to-attract-major-investments/article25593870.ece

Ten units to come up at the processing park proposed in Cuddalore

The textile sector in Tamil Nadu, which has production facilities across the textile value chain, is unlikely to attract major investment commitments at the Global Investors’ Meet to be held in Chennai next year.

Construction of individual units at the Cuddalore processing park might commence if the Government makes arrangements for water supply. Ten units will come up at the park at an investment of Rs. 1,000 crore. These units might sign MoU at the GIM, say industry sources. If the park is commissioned, it might encourage stitching units to set shop nearby, triggering more investments in future.

Lukewarm response

With regard to spinning mills signing agreements at GIM, just a couple of individual units have come forward so far, the sources say.

Raja Shanmugam, president of Tirupur Exporters’ Association, said that every year the Tirupur knitwear units invested approximately Rs. 1,000 crore towards minor expansion works. This year too that investment would come in. But, the GIM might not attract major investment in the garment sector because of the downward trend faced by the sector over the last couple of years. The Government should have made preparations to push for sectoral expansions. For instance, for textile processing units to expand, there should be adequate infrastructure, he said.

According to M. Senthil Kumar, Chairman and Managing Director of Palladam Hi-Tech Weaving Park, the Technology Upgradation Fund Scheme that provided subsidy to textile investments has slowed down. Subsidy available for powerloom units under the scheme has reduced. "So, major new investments at GIM from the powerloom sector is difficult."

Incentives needed

Further, the State Government is yet to announce a textile policy. The Government should provide incentives for automation to encourage investments, he said. The job working powerloom units say the segment faces several challenges and, hence, is not expected to make major investments now.

Govt vs RBI: What data says about shadow banks' debts, credit flow to MSMEs	**Business Standard** https://www.business-standard.com/article/economy-policy/govt-vs-rbi-what-data-says-about-shadow-banks-debts-credit-flow-to-msmes-118112600024_1.html

Over the past few weeks, the central government and the Reserve Bank of India (RBI) have been locked in an intense debate over several issues. Three are of critical importance. First, ever since the implosion of IL&FS, many have been concerned about the liquidity crunch facing non-banking financial companies (NBFCs). As shown in, Rs 2.2 trillion of NBFC debt was set to mature in November and December. And while there were concerns that NBFCs may not be able to roll over their debt, so far there has not been any default.

It is possible that financial institutions such as LIC and SBI have stepped in. Mutual funds may have also helped roll over debt. It is equally possible that higher securitisation transactions may have also helped. The other issue centres on credit flow to MSMEs. Some have argued that bank credit to micro and small industrial firms had slowed considerably as many banks had been placed by the RBI under its prompt corrective action (PCA) framework. However, as seen in, bank credit to medium and large-scale industrial firms has also been sluggish. By comparison, as seen in, credit to micro and small enterprises in the services sector has soared over this period.

On the issue of the RBI's PCA framework, at the aggregate level, these banks have seen their gross non-performing loans decline. But with their credit also shrinking during this period, GNPA as a percentage of advances has risen. And while their cumulative losses have declined, only three, namely Bank of Maharashtra, Corporation Bank and Oriental Bank, have reported profits. Of these, the latter two appear to be in better shape On the issue of the RBI's capital level, much of the rise in reserves in recent years is on account of the currency and gold revaluation fund. By comparison, the RBI's contingency reserves have barely registered a rise over the past decade.

Power demand drives 19% volume growth at Indian Energy Exchange	Business Standard https://www.business-standard.com/article/companies/power-demand-revival-drives-19-volumes-growth-at-indian-energy-exchange-118112200727_1.html

T The trade in renewable energy certificates (RECs) zoomed 325 per cent from a year before, from 1,205 MUs to 5121. Total volume trade on IEX went up 34 per cent, to 33,705 MUs in the period.

During the period, the market was congestion-free on most days. Volume curtailment due to congestion was only 0.6 per cent.

Revenue in April-September was up 21 per cent to Rs 1.49 billion, with the rise in volumes in both the electricity and REC segments. At nearly Rs 1.25 billion, the earnings before interest, taxes, depreciation and amortisation (Ebitda) was up 23 per cent. The Ebitda margin was a robust 83 per cent.

However, operating expenses rose 14 per cent to Rs 246.6 million. Depreciation rose 19 per cent to Rs 52.2 million on account of capital expenditure in 2017-18, primarily on acquisition of trading software technology. Tax expense was Rs 348 million, an effective tax rate of 29 per cent.

rade volumes rose 19 per cent at the Indian Energy Exchange (IEX) in the first six months of this financial year.

This was aided by a pan-India 6.2 per cent increase in electricity generation during the period. In all, 28,584 million units (MUs) of power were traded between April 1 and September 30, counting both the day-ahead and term-ahead markets.

Its highest volume trade wa 306 MU in the day-ahead market (DAM) on September 29. The average market clearing price rose 33 per cent, from Rs 3 to Rs 3.98 a unit. Largely due to inadequate availability of coal with generators, the exchange told investors.

In the term-ahead market, 892 MUs were traded, a spike of 86 per cent over the April-September period of 2017-18. As many as 22 solar energy projects, aggregating 1,066 Mw in capacity, were registered and solar energy sold through DAM on the exchange.

As noted earlier, all this performance was bolstered by the marked rise in electricity demand. To meet this, generation (including of renewable energy) rose 6.2 per cent in April-September to 705 billion units (BUs) from the year-before period. Among the marked increases in demand (figures in percentage) were Karnataka (27), Telangana (19), Maharashtra (18), Andhra Pradesh (17), Odisha and Gujarat (both 16).

Thermal generators faced inadequate availability of coal, leading to increase in e-auction rates. Imported coal prices also rose. All this led to the rise in market clearing price noted earlier, to Rs 3.98 a unit.

GST gives textiles a leg up	The Hindu https://www.thehindu.com/business/Industry/gst-gives-textiles-a-leg-up/article25592316.ece

But some gaps remain; expectations are high in new regime

A year after implementation of the Goods and Services Tax (GST), the system is getting streamlined for the intended purpose of achieving the objective of 'One nation one tax'. In the excise regime, multiple tax systems had increased administrative costs for manufacturers and distributors. With GST in place, the compliance burden has eased.

GST brought in developments and changed the way businesses conducted themselves.

It is commendable on the part of the GST Council to arrive at decisions on a consistent basis, despite differences of opinion among various sectors and political parties.

The textile sector is one of the oldest and largest in the country and a major contributor to the development of the economy. The industry employs both skilled and unskilled manpower and contributes over 10% of the total annual exports of the country, which is likely to increase under the GST regime.

Tax burden declines

Many from the textile industry have stated that the overall tax burden has come down for the sector to 18% from 20% and that the new system has also increased transparency in the sector, which provides employment to 45 million people.

A majority of the Indian industry functions in the unorganised sector or the composition scheme, creating a gap in the flow of input tax credit (ITC). If a registered taxpayer procures the input from taxpayers under the composition scheme or the unorganised sector, ITC will not be allowed for him.

With the implementation of GST, the input credit system has smoothly shifted the balance towards the organised sector. By subsuming different taxes such as entry tax, luxury tax and octroi, the costs for manufacturers will be reduced in the textile industry.

For textile mills, the import cost of the latest technology to manufacture textile goods is expensive because the excise duty paid for the same was not allowed in ITC. Under GST, ITC is available for all the tax paid on capital goods.

The process of claiming ITC is simplified in GST, which allows the textile sector to be competitive in the export market.

Expectations are high on three counts. First, yarn now attracts 5% GST and the machinery to manufacture yarn attracts 18%. This is uneven. Yarn manufacturers will be left with a huge input credit which they won't be able to utilise.

There is no provision under GST to get such accumulated credit as refund for capital goods. This will contribute to dead investment for the textile industry over several years.

Second, a foreign manufacturing company is now permitted to set up a unit without any investment from the domestic market, bring in 100% of their share, and repatriate profit to their countries. This has made the domestic textile machinery manufacturing companies to compete in an unfavourable environment. To safeguard the domestic industry's interest, government should create a level-playing field which will pave the way for 'Make in India' to prosper.

It also keeps domestic industries healthy and facilitates a healthy employment environment. Also, more incentives must be given to the textile sector to help explore the export market at competitive prices.

Finally, a simplified procedure is needed in the e-way bill legislation to ease transportation of goods by minimising documentation, physical verification and the like.

VN, India eye textile co-operation	**Vietnam News** https://vietnamnews.vn/economy/480751/vn-india-eye-textile-co-operation.html#BoWy06jY3fiifyqa.97

A yarn production plant in Nam Định Province. Việt Nam and India are seeking to increase exports to each other in the textile and garment sector

HCM CITY — Trade between India and Việt Nam in textiles has grown significantly, but there is still huge untapped potential, the Indian consul general in the city has said.

In his opening remarks at a business interaction event titled "Textiles: India-Việt Nam Co-operation", K Srikar Reddy said Việt Nam was among the top five textile and clothing exporting countries along with India.

Its exports exceeded US$31 billion last year, a year-on-year growth of 10.23 per cent.

According to Indian government figures, during the 2017-18 fiscal year, India's textile and clothing exports were worth around $36.7 billion. Its exports to Việt Nam grew by 42 per cent to $555 million.

"Bilateral trade in textiles has registered impressive growth during the last two years. However, there is still a lot of potential for trade in the area of textiles between our countries," Reddy said.

Việt Nam had to import a lot of raw materials and was looking to diversify its sourcing of raw materials for garments such as cotton, yarn, made-ups and fabric, he said.

India is one of the suppliers of high-quality materials, fabric and machinery at competitive prices globally, he said.

Also, under the India-ASEAN FTA, most types of cotton yarns, woven cotton fabrics and cotton knit fabric could be imported duty free from India from January 1 next year, he said.

“Therefore, India can become a reliable partner for Việt Nam in supplying cotton, yarn and fabrics.”

Nguyễn Hồng Giang of the Việt Nam Cotton and Spinning Association (VCOSA) said there was plenty of opportunity for co-operation in yarn, cotton and fabrics between businesses in the two countries.

“Indian companies are strong in making cotton fabrics and textiles. From the perspective of the Việt Nam Cotton and Spinning Association, we welcome investment from India in fabric making.”

When investing in Việt Nam, Indian firms would get tax breaks from FTAs that Việt Nam has signed or would be signing, he said.

“You buy more yarn from Việt Nam and we will buy more cotton fabric from you. That is a win-win situation.”

Reddy said: “Many Indian companies have already invested in Việt Nam in the textile and garment sector. I would also like Vietnamese companies to explore the gigantic market of 1.3 billion people in India by investing in production of yarn, fabric, readymade garments, and others in India.”

The Indian Government allows 100 per cent foreign direct investment under the automatic route in many sectors, including textiles, he said.

Shailesh Martis of the Cotton Textiles Export Promotion Council gave a detailed presentation on the Indian textiles sector and invited Vietnamese companies to attend IND-TEXPO 2019, a textile exhibition showcasing the entire range of textile products, to be held from January 27 to 29 next year at Coimbatore, India.

Importers and buyers from Việt Nam who are interested in sourcing from India can benefit from a subsidised scheme for hotel stay and travel by visiting the show in India, he said.

Organised by the Indian consulate in HCM City in co-ordination with VCOSA, the event attracted nine Indian companies who also participated in the 18th Việt Nam International Textile and Garment Industry Exhibition in HCM City from November 21 to 24 besides local firms.

Gujarat: Textile industry seeks parity with other states	**DNA India** https://www.dnaindia.com/ahmedabad/report-gujarat-textile-industry-seeks-parity-with-other-states-2689056

During a meeting with Chief Minister Vijay Rupani on Saturday, industry bodies sought an increase in various subsidies, and also pressed for parity in benefits with other states.

The Gujarat Chamber of Commerce & Industry (GCCI) proposed that benefits given by the state under the new Textile Policy should be at par with Maharashtra, Madhya Pradesh, Jharkhand, and other states, and by neighbouring countries.

"This will ensure that capital does not flow out of our state to other states," the apex industry outfit said. It pressed for a higher capital subsidy, interest subsidy, and power subsidy for spinning, weaving, processing, and garments units under the new policy.

The Southern Gujarat Chamber of Commerce & Industry (SGCCI) also pressed for parity in benefits with other states.

"If we want to ensure that Gujarat remains the textile hub, we must provide adequate support to the industry. The government should try to ensure that there is no inter-state competition. For instance, Maharashtra is offering power tariff of Rs 3.50 per unit for weaving units, while in Gujarat it is over Rs7. Even otherwise, there is a difference of Rs 2 per unit. This needs to be addressed," Mehta said.

He pointed out that there is a cap of Rs 25 lakh on capital subsidy in Gujarat, but not in other states. Similarly, he demanded that interest subsidy be hiked to 7% from existing 5%.

"Equally importantly, the subsidy should be paid in time," he said.

Among other demands, GCCI sought subsidy for setting up common effluent treatment plants near Ahmedabad and Rajkot, and various relaxations in subsidy norms for expansion of textile units, and support for backward/forward integration.

"Level playing field should be given to existing units. The policy should give equal opportunity to investments in new and existing units. Since growth is a continuous process, the policy should allow all new investments made from time-to-time by existing units, without having restricting provisions such as percentage growth," GCCI said in a representation.

The industry body pointed out that garments segment was feeling lack of support from the government, and sought various benefits for it. It also said that the government should encourage and provide support to companies like Walmart and Marks & Spencer, and major textile brands to set up their buying houses in Gujarat.

Maharashtra govt to extend CM's agri solar scheme across the state	**Money Control** https://www.moneycontrol.com/news/environment/maharashtra-govt-to-extend-cms-agri-solar-scheme-across-the-state-3217161.html

The pilot project of the scheme was introduced last year in two places in Ralegan Siddhi in Ahmednagar and Kolambi in Yawatmal.

After the success of a pilot project, the Maharashtra government plans to extend the chief minister's agricultural solar feeder scheme in the rest of the state.

The pilot project of the scheme was introduced last year in two places in Ralegan Siddhi in Ahmednagar and Kolambi in Yawatmal.

The scheme is a total success and will be extended to the entire state. This is a game changer and solar units will be set up in the government land where there is evacuation facility," Maharashtra State Electricity Transmission Company (Mahatransco) director Vishwas Pathak said.

Under this programme, the farmers are supplied power during the day with the help of solar generation.

When asked about the privatisation process of power distribution for Malegaon and Kalwa-Mumbra sections, he said the project is on fast track and the tendering process is underway now.

"The entire process is likely to be completed soon," he added.

Pathak further said the privatisation of Bhiwandi is successful and hence we have decided to go in for privatisation of power supply in the two areas, where the bill collection is very low.

"Already a number of companies have participated in the tendering process, including Torrent Power, which manages the powerloom town of Bhiwandi and the best suited one would be picked up," he added.

Pathak also said there has been a growth of power consumers from 2.15 crore to 2.45 crore and to meet this growth, the company is taking every effort.

"There was an acute shortage of meters recently due to the fact that 16 lakh meters supplied by two companies, one from Hyderabad and the other from UP, were found to be faulty and had to be replaced on priority. These two companies have been blacklisted, he said and added that the legal process was underway for "recovery of losses," he said. When asked about the transmission and distribution losses incurred by state discom Mahavitaran, he said the company could reduce it from the past 17.50 per cent to 14.50 per cent. "We do not claim that we have achieved and met every target but to a large extent we have performed and brought the power scene to a good position as regards supply, distribution and reducing the problems which were faced earlier," he said.

SGPC seeks security provisions for women in new textile policy	**Times of India** https://timesofindia.indiatimes.com/city/surat/sgpc-seeks-security-provisions-for-women-in-new-textile-policy/articleshow/66800667.cms

South Gujarat Productivity Council (SGPC) has suggested to the state government a number of security provisions for women in the new textile policy, which is scheduled to be announced by it soon. SGPC wants a government portal through which work could be assigned to women, a special policy for units run by women or those having more than 60 per cent female workforce. Sexual harassment cells and hostel facilities for them in the industrial areas. SGPC president Asha Dave sai, An estimated 14 lakh people work in textile sector of surat and 15 per cent of them are women, However, only 9.5 lakh are registered with the labour department. Menials jobs in the textile sector are done by women and they need maximum care and protection. The government should reserve lace and embroidery work etc., for women and assign such jobs to them through its portal only. The Women will get right remuneration for the work done by them and not be cheated.

She said many women come to Surat city for work from nearby towns and villages. Therefore, these working women should have hostel facilities in the city. Safety and security of women should be of a paramount importance to the authorities. Thus, SGPC has asked for sexual harassment cells in industrial areas and a special policy for units run by women or those having more than 60 per cent female work force. Dace in a letter to the chief minister has also demanded from the state government identity cards for all the labourers working in the textile industry. If a labourer's antecedents have been verified, he would hesitate to commit any crime or harass a female co-worker in a unit.

Cotton yarn still profitable in Nov despite weakness	**CCF Group** https://www.ccfgroup.com/newscenter/newsview.php?Class_ID=D00000&Info_ID=20181123052

Entering Nov, under the pessimistic atmosphere, cotton yarn market continues the slackness, and seems slacker than in Oct. Almost no variety survives.

With poor downstream demand and soft cotton price, cotton yarn market has started the downtrend since Sep. From the perspective of price index, cotton yarn carded 32S moved down by 735yuan/mt from Sep's high, while cotton price slid more, by 1175yuan/mt from Sep. The decrease of cotton yarn price is thought owing to sluggish downstream demand which resulted in hiking inventory in cotton yarn mills. With pessimistic attitude to market demand outlook, cotton yarn mills prefer to sell at lower price and purchase cotton cautiously, which also depresses cotton demand. With intensive cotton supply on the market, cotton price accelerates to decline.

Stocks of imported cotton yarn in ports are at a large amount, but the sales are stagnant. Under increasing capital pressure, traders undersell continuously. At present, price of Indian carded 32S for air-jet moved down to 22,600yuan/mt, and the price spread with domestic one reached 900yuan/mt. Amid sluggish sales, imported cotton yarn price may tick down further without cost support, and the price gap with domestic one will widen further. Low-priced imported cotton yarn brings high pressure to domestic market.

Overall profit of cotton yarn mills is tolerable in 2018. During state reserved cotton auction, spinners enjoyed high profits. Since Oct, calculated on spot cotton price, the profit narrowed compared with that during cotton auction, but still tolerable, fluctuating within 200-800yuan/mt. Despite weak trading sentiment, most spinners can profit. In short run, cotton yarn market will remain weak and now is waiting for the result of China-US talks on the trade war. If China and US reach comprise, the pessimistic atmosphere on the market will be eased and spinners may restock before Spring Festival. But if the trade war escalates further, the market may keep dull or even weaker. In addition, China-US trade war also has impacts on macro economy like commodities, and further affects the ups and downs of cotton and cotton yarn futures and trading sentiment of spot cotton and cotton yarn.