

**IBTEX No. 114 of 2017**

**June 06, 2017**

USD 64.36 | EUR 72.51 | GBP 83.17 | JPY 0.59

<b>Cotton Market</b>		
<b>Spot Price ( Ex. Gin), 28.50-29 mm</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
20079	42000	83.13
<b>Domestic Futures Price (Ex. Gin), May</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>85.87</b>
20740	43383	<b>86.66</b>
<b>International Futures Price</b>		
NY ICE USD Cents/lb ( July2017)		77.22
ZCE Cotton: Yuan/MT ( Sept 2017)		15,625
ZCE Cotton: USD Cents/lb		<b>6.94</b>
<b>Cotlook A Index - Physical</b>		<b>87.20</b>
<b>Cotton guide:</b>		
<p>The week has started with a bearish tone for cotton at ICE platform. Both July and December contracts have declined on Monday's trading session. The July ended the session lower at 76.31 while December closed at 72.53.</p> <p>Both the contracts have declined comfortably below the 100-day moving average period indicating the underlying may remain under stress. For reference we have been talking about 76.16 as key support level which looks like breaking down on today's trading session amid the current momentum indicate bearish trend for the market. Long liquidation by the speculators, exiting positions, rolling from July to December amid lower USD performance has pressured the contract to trade down. We believe market may remain bearish and recommend selling on rise on today's trading session.</p>		

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The trading range for the day would be 75.70 to 77.20 cents per pound. Likewise, December is expected to trade in the range of 72 to 73.20 cents per pound.

In the recent movement of both July and December the spread has narrowed a tad to 3.84 cents and believe though its moving in the same range while we continue to expect any rise in the spread should be a sell strategy for the market.

**Compiled By Kotak Commodities Research Desk , contact us :**  
<mailto:research@kotakcommodities.com>, Source: Reuters, MCX, Market source

### **Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:**

Indicative Prices of Cotton Yarn in China		
Date: 05/06/2017 <i>Prices in US\$ FOB</i>		
Country	20s Carded	30s Carded
India	2.50	2.80
Indonesia	2.56	2.85
Pakistan	2.44	2.82
Turkey	2.90	3.10
Source: CCF Group		

### **China yarn**

Cotton yarn trading kept weak on the whole, yet air-spun one and cotton yarn 40S performed tolerable with price mildly rising. Polyester yarn traded price range somewhat expanded and polyester/cotton yarn price slightly diverged. Polyester/rayon yarn and rayon/cotton yarn price kept inching down this week.

### **International yarn**

The cotton yarn market has been more or less featureless in the past week. Yarn demand has been moderate in Pakistan, but downstream manufacturers have continued to buy only against their pressing requirements. The All Pakistan Textile Mills Association has voiced its disappointment at the lack of measures for the textiles sector in the 2017/18 budget. Preparations were under way for the introduction of a cotton yarn futures contract in China.

Source: CCF Group

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## INTERNATIONAL NEWS

### **USA: Bangladeshi textile executives tour US Cotton Belt**

The Cotton Council International (CCI), the global marketing arm of the US cotton industry, promoting cotton fibre, fabric, and fashion, has announced that eleven key executives, from eleven different textile mills in Bangladesh, recently travelled to the US as part of the COTTON USA Special Trade Mission, which toured the US Cotton Belt.

The trip was an opportunity for them to learn more about why US cotton is the world's preferred fibre.

During the trip, they observed US cotton production, processing and marketing and met with US cotton exporters for the purpose of increasing their purchasing of US cotton.

The Bangladesh delegation began its tour in New York City with a seminar at ICE Futures. They then travelled to the Cotton Belt's four major growing regions and met with members of industry organisations including: Cotton Incorporated, the National Cotton Council, USDA, Supima, as well as merchants and coops. They also had the opportunity to learn about US cotton production while visiting a local cotton farm in Lubbock, TX.

Bangladesh is currently the world's largest importer of cotton, importing 6.2 million bales of cotton in 2015/16. According to Anwar-ul Alam Chowdhury, managing director of Argon Spinning LTD, Bangladesh will continue to play an important role in the global cotton industry, and he projects Bangladesh will import 11 million bales of cotton by 2021.

Bangladesh currently stands as US cotton's ninth largest market – with US export commitments there at more than half a million bales thus far in the 2016-17 marketing year.

Source: fibre2fashion.com- June 05, 2017

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## **Pakistan: One Belt, One Road Forum: a black-tie affair?**

The first One Belt, One Road (OBOR) party is over and the Silk Road express has left the station. While Chinese diplomats consider the first OBOR forum as a great success story that has led to getting the buy-in from 30 states, the ultimate challenge now in hand is to ensure universally recognised good practices of transparency and equality along with an inclusive development theme.

### **One Belt, One Road to tame extremism, says PM**

Hailed as the “world’s project”, the initiative aimed to boost infrastructure in Asia and Africa for the next decade and a half. In an attempt to bring all partners on board, the forum identified and approved over 270 goals under the umbrella of OBOR initiative.

Though setting high-level goals is a step in the right direction, but an agenda that is centred on 270 goals runs the risk of being too general. The problem with this impossibly long list of goals is that nothing gets prioritised at the end of the day. All these 270 goals would not only result in a total lack of focus, but they would also be self-defeating.

The situation clearly indicates that strategic bits of the initiative are not very clear. In fact, every Chinese province and state-owned firm has its own version of investment plan for OBOR projects. No framework was ever presented by Beijing in the forum and it seems that the Chinese are willing to throw cash without first working out the business case.

Beijing’s billion dollar investments to build ports in Sri Lanka became a nightmare for the country which has been mired in hot water of unsustainable debt. Similarly, dam projects in Myanmar have not gone well either.

Last month, Nepal and China signed a memorandum to build an \$8 billion cross-border rail link as part of proposed China-India-Nepal corridor, but without first getting New Delhi on board.

Since 2009, China has poured \$6.8 trillion in wasteful infrastructure investments with negative rate of returns and its incremental capital output ratio (ICOR) has increased by at least 50% in the last decade.

At present, there are over 900 deals in the pipeline worth \$900 billion which are set to reach \$4 trillion mark in a couple of years – yet little is known about the project’s feasibilities. In fact, Chinese investors call the initiative “one road, one trap”.

The recent leaks of documents which detail China-Pakistan Economic Corridor’s (CPEC) long-term plan drafted by Beijing has raised many eyebrows and confirm worst fears of some people that the whole corridor may be actually ill-planned – rising bilateral trade deficits to skyrocketing levels.

At present, Pakistani exports to China are raw materials and primary goods such as textiles, rawhides, oil seeds, skins and agro products; whereas Pakistan imports from China are mainly finished goods such as machinery and chemicals.

So, it is a no-brainer that Chinese investments to set up factories for production of value-added products from primary inputs would be highly profitable. In fact, this offers China the perfect opportunity to move its outdated polluting industries offshore as per its commitments to the Paris Agreement and focus primarily on innovation.

This Chinese version of the plan is still very vague and at the very best, is wishful thinking. There is very little that talks about the cross border movement of labour, environmental impact assessments of corridor projects and fiscal risk management.

### **Looking down the One Belt, One Road**

Pakistan should not feel alarmed by this long-term plan of sorts and instead should be more concerned about shortcomings in its ‘software’ – such as weak institutions, courts and regulatory bodies.

In order to fully utilise the potential of new special economic zones, the government needs to unleash a new policy blueprint for promoting organic growth of manufacturing sector and may need to announce its own version of Marshall Plan to jump start the local industry.

Non-competitive tendering, protection of Chinese players, non-level playing field and a lack of transparency in CPEC affairs will kill the very spirit of the megaproject – not to talk of the vicious circle of spiralling debt we might get trapped in.

Source: [tribune.com.pk](http://tribune.com.pk)- June 05, 2017

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## USA: Textile and Apparel Imports Surge in March on Jump in Shipments from China, Vietnam

The Department of Commerce’s Office of Textiles and Apparel reports that monthly imports of cotton, wool, manmade fiber, silk blend, and non-cotton vegetable fiber textile and apparel products totaled 4.95 billion square meter equivalents in April, up 10.5 percent from March and 5.8 percent from April 2016.

	SME	Monthly change %	Annual change %	\$ Value	Monthly change %	Annual change %
China	2.25 billion	+41.5	+14.7	\$2.62 billion	+36.5	+6.6
Vietnam	406.3 million	+18.0	+19.7	\$922.9 million	+10.9	+10.7
India	401.5 million	-14.6	-0.3	\$626.2 million	-14.8	-0.7
Mexico	203.3 million	-7.2	-5.9	\$348.8 million	-14.2	-6.3
Bangladesh	184.5 million	n/a	-1.3	\$394.8 million	n/a	-7.1
Pakistan	176.6 million	-20.4	-11.0	\$190.5 million	-20.8	-6.2
Indonesia	140.7 million	n/a	-3.9	\$383.1 million	n/a	-3.5
Korea	135.6 million	-4.0	+9.1	\$68.7 million	-3.8	-6.6
Canada	88.2 million	-0.1	-6.2	\$94.9 million	-12.6	-10.0
Honduras	86.8 million	-16.5	+2.2	\$188.4 million	-15.1	+1.6
Cambodia	77.0 million	-6.4	+6.1	\$170.9 million	-0.9	-0.5
Turkey	72.4 million	+16.8	-2.0	\$131.7 million	+21.0	+20.1

OTEXA has also reported the following statistics on textile and apparel imports from major source countries for the year-to-date in 2017.

Textile imports totaled 2.98 billion SME, up 16.9 percent from March and 6.6 percent from the previous year, while apparel imports of 1.97 billion SME were up

2.1 percent from March and 4.7 percent from a year earlier.

**Overall Imports.** Total year-to-date imports were 19.6 billion SME, up 2.3 percent from the previous year, as textile imports gained 2.4 percent to 11.2 billion SME and apparel imports rose 2.2 percent to 8.41 billion SME.

For the year ending in April 2017 imports were 63.4 billion SME, up 0.2 percent from a year earlier, as textile imports gained 0.6 percent to 36.2 billion SME and apparel imports slipped 0.4 percent to 27.1 billion SME.

	SME	Change from 2016	\$ value	Change from 2016
China	8.65 billion	+4.6	\$10.5 billion	-6.0
India	1.70 billion	+6.0	\$2.62 billion	+0.8
Vietnam	1.55 billion	+10.1	\$3.76 billion	+5.7
Bangladesh	820 million	+1.4	\$1.83 billion	-5.7
Pakistan	814 million	-0.43	\$879 million	+0.5
Mexico	804 million	+1.8	\$1.46 billion	+2.4
Indonesia	595 million	-4.3	\$1.65 billion	-3.8
Korea	520 million	+3.41	\$272 million	-6.8
Canada	340 million	-6.0	\$396 million	+8.2
Honduras	337 million	+4.2	\$745 million	+0.5

**Source Countries.** OTEXA has reported the following statistics on textile and apparel imports from major source countries for April 2017.

Source: strtrade.com- June 05, 2017

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## **USA: Ross Focuses on China as U.S. Trade Deficit Expands**

The U.S. monthly trade deficit in goods and services rose 5.1 percent in April to \$47.6 billion as exports slipped 0.3 percent to \$191.0 billion and imports rose 0.8 percent to \$238.6 billion. Commerce Secretary Wilbur Ross said the U.S. trade deficit with China jumped by 13.8 percent in April from a year earlier and rose 5.4 percent from the fourth quarter of 2016 to the first quarter of 2017.

Ross said it is “too soon” for the trade deficit numbers to reflect either China’s recent agreement to open its market to U.S. beef, liquefied natural gas, and other products beginning July 16 or other steps the Trump administration has taken to “level the balance of trade.”

He also pointed out that there were improvements in some areas in April, including record-high exports to South Korea and exports to Japan that were the largest since August 2014.



President Trump has made reducing the U.S. trade deficit a major focus and has raised particular concern with the deficit in goods trade, which according to Commerce Department statistics grew 3.5 percent in April to \$68.4 billion.

Country/region	Deficit	% Change	Surplus	% Change
China	\$32.1 billion	+2.2		
European Union	\$13.2 billion	-32.0		
Mexico	\$6.4 billion	-1.5		
Germany	\$5.5 billion	+10.0		
Japan	\$5.0 billion	-23.1		
Italy	\$3.0 billion	+42.9		
Canada	\$2.6 billion	+36.9		
India	\$1.6 billion	-5.9		
Taiwan	\$1.3 billion	+18.3		
France	\$1.2 billion	+1100		
South Korea	\$1.0 billion	-40.0		
Saudi Arabia	\$0.2 billion	-75.0		
South/Central America			\$2.7 billion	+3.8
Hong Kong			\$2.0 billion	-31.0
Singapore			\$0.9 billion	+80.0
Brazil			\$0.3 billion	+50.0
United Kingdom			\$0.2 billion	-60.0

Imports of goods rose 0.9 percent to \$195.3 billion, including increases of \$1.8 billion in cell phones, \$900 million in capital goods, and \$500 million in artwork, antiques, stamps, and other collectibles along with a \$1.9 billion drop in crude oil.

Exports of goods fell 0.4 percent to \$126.9 billion, including losses of \$300 million in passenger cars, \$400 million in artwork, antiques, stamps, and other collectibles, and \$200 million in pharmaceutical preparations along with a \$600 million increase in foods, feeds, and beverages.

The services surplus was largely unchanged at \$20.8 billion. Imports rose 0.2 percent to \$43.3 billion and exports were up 0.2 percent to \$64.0 billion.

Source: strtrade.com - June 06, 2017

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## **China: May cotton yarn imports may decrease by 12.13% m-o-m to 123.9kt**

### **1. Traders' reflection**

Most traders expected cotton yarn imports in May to decline on the month and imports of cotton yarn in Jun may be slightly higher than May but less than Apr based on the survey made by CCFGroup as price of forward cotton yarn was seriously higher than spot goods in China.

### **2. Estimate of arrivals**

#### **2.1 Cost of mainstream products**

May arrivals of Indian cotton yarn were mainly ordered in end-Mar and end-Apr, with price for forward carded 32S for air-jet staying at \$2.90/kg, equal to around 24,700yuan/mt after-tax, around 1,000yuan/mt higher than spot goods in China.

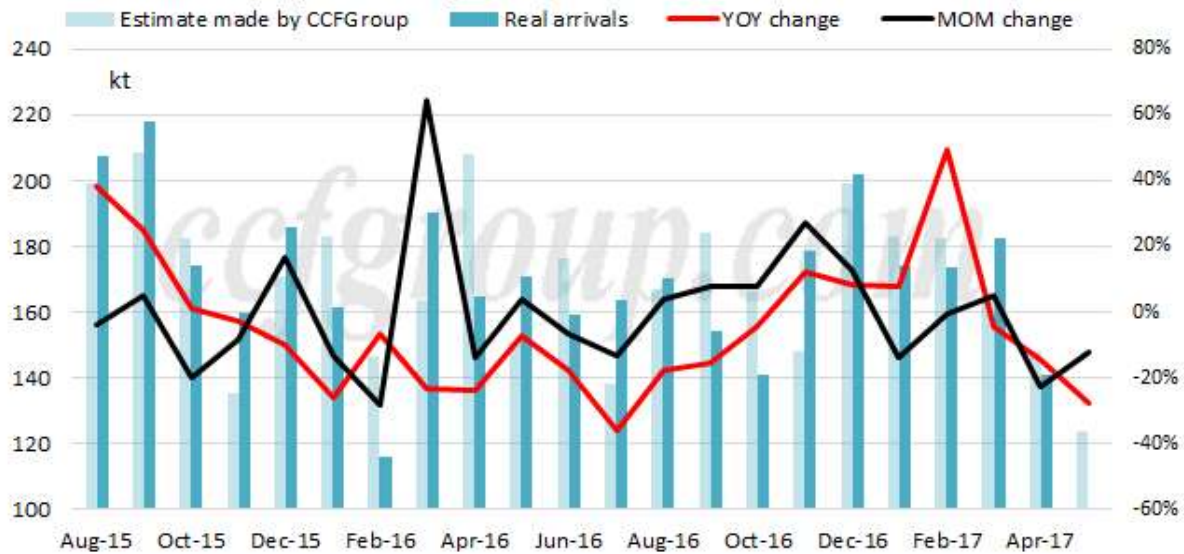
May arrivals of Pakistani cotton yarn were mainly ordered in Feb-Mar, with forward grade-A siro-spun 10S reaching \$2.35/kg, equal to around 20,100yuan/mt, with disparity with spot goods in China peaked at 1,100yuan/mt, still lacking price advantage.

May arrivals of Vietnamese cotton yarn were mainly procured in Apr with forward price for carded 32S for rapier staying at \$2.89/kg, equal to around 23,900yuan/mt after tax, around 800yuan/mt higher than spot goods in China. Transactions were mediocre.

Therefore, trading of Vietnamese, Indian and Pakistani cotton yarn was all insufficient.

2.2 Survey on sampling companies

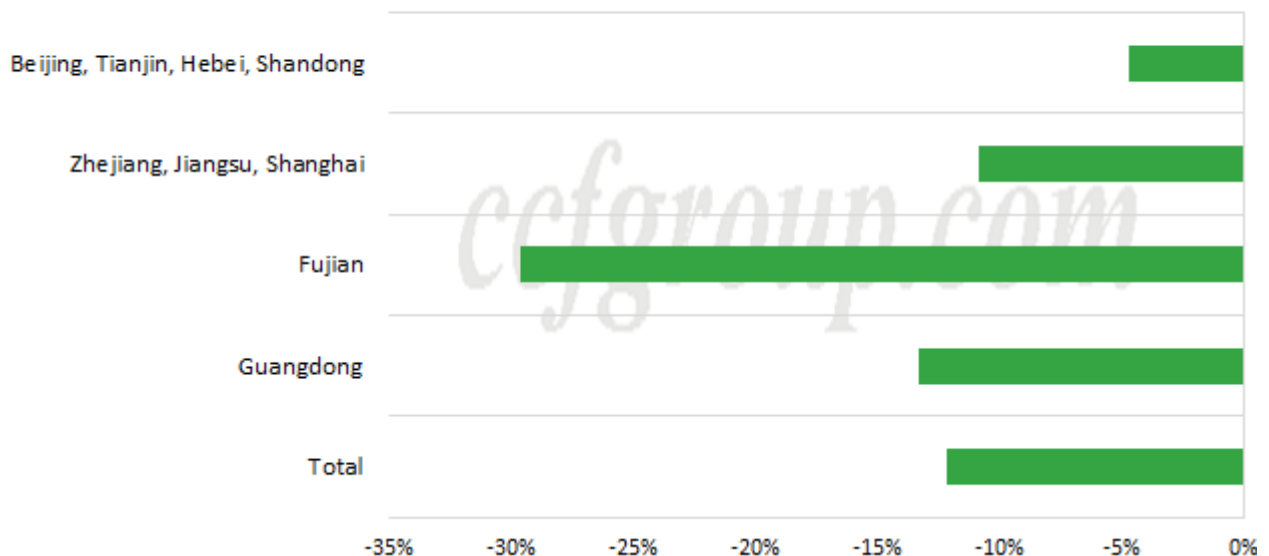
Estimate for cotton yarn in May 2017



According to survey made by CCFGroup, most traders expected cotton yarn import to dip in May. Based on above analysis, cotton yarn imports may decline to around 123.9kt in May, down 12.13% m-o-m and 27.54% y-o-y respectively.

3. Regional estimate

Regional change of cotton yarn imports in May 2017



Arrivals in Guangdong in May is expected to dip by 13.27% m-o-m. Price of Pakistani siro-spun low-count siro-spun cotton yarn was in range bound with dull demand and ample spot goods.

Pakistani A- grade siro-spun 10S was mainly pegged at around 19,000yuan/mt after-tax ex-ships, higher at 19,300yuan/mt for grade-A ones. Demand for imported cotton yarn may be slack in June and price is likely to consolidate stably.

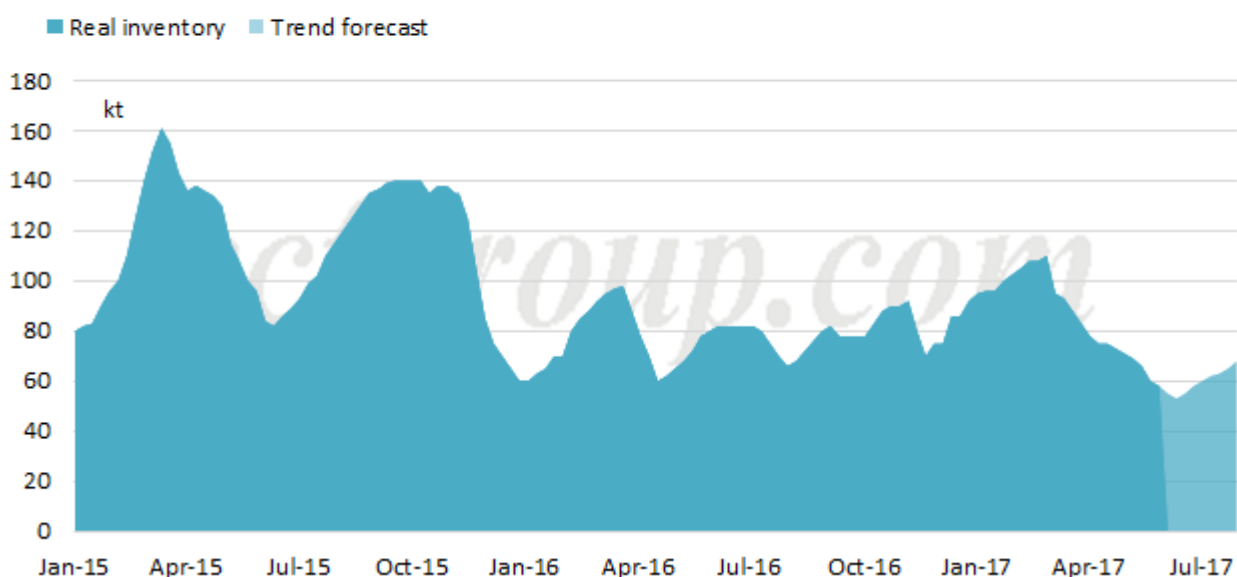
Arrivals of imported cotton yarn are anticipated to decline by 29.58% on the month in Fujian. Stocks of imported cotton yarn were not ample in May but demand from downstream weavers was poor and weavers run at around 50% of capacity. Inventory of imported cotton yarn may be not high in Jun in Fujian and price is supposed to be flat.

Arrivals in Zhejiang and Jiangsu in May are supposed to drop by 10.80% m-o-m. Inventory of imported cotton yarn was low in May and demand was meager. Coupled with weaker Chinese local cotton yarn price, price of imported cotton yarn was stable in Zhejiang and Jiangsu. Demand for spot imported cotton yarn is expected to keep meager in Jun in Zhejiang and Jiangsu and inventory may be not high. Price of spot imported cotton yarn is likely to be steady.

Arrivals of imported cotton yarn in North China in May are likely to slip by 4.65% on the month. Stocks of imported cotton yarn were not ample in May, and demand was poor. Price of spot imported cotton yarn was flat in North China in May and may keep steady in Jun in anticipation of low stocks.

#### 4. Inventory assessment

Inventory of spot imported cotton yarn since 2015

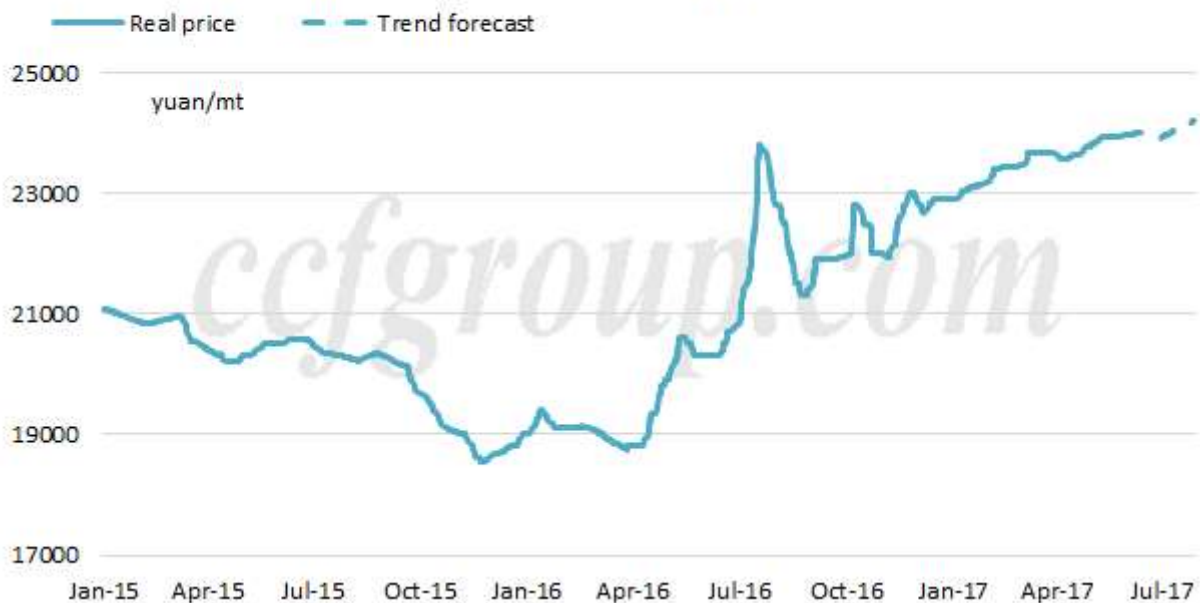


Arrivals of imported cotton yarn in May are expected to slip apparently on the month, and stocks of imported cotton yarn have declined to around 58kt at major China ports.

Downstream buyers showed modest buying interest. Imports of cotton yarn in Jun may be not high too, and stocks of imported cotton yarn may remain low at major China ports. Price of spot imported cotton yarn may be hemmed into a tight range in Jun.

5. Market outlook

Price of Indian weaving C32S for air-jet since 2015



According to arrivals assessment for cotton yarn, spot inventory of traders and downstream demand, inventory of imported cotton yarn may keep low in Jun, downstream weavers may keep inactive in replenishing in anticipation of slightly decreasing operating rate. Price of spot imported cotton yarn is expected to be in range bound. Arrivals of imported cotton yarn in Jun may be not high.

*Note: The telephone survey made by CCFGroup involves around 40 companies, containing around 55% of total cotton yarn imports. The sampling survey is incomplete and the result is only for reference.*

Source: ccfgroup.com- June 05, 2017

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## **Pakistan: Cotton picking starts in Sindh**

The picking of cotton crop has commenced in some of the districts along the coastline in Sindh, marking the beginning of ginning season in the country, amid growing resentment over an absence of incentives for farmers as the government even failed to announce a reasonable support price.

The Ministry of Textile Industry, according to reports, has proposed a support price for seed cotton (phutti) at the rate of Rs3,000 per 40kg as well as cotton crop insurance scheme to encourage farmers to plant more cotton crop; however, no decision has yet taken in this regard.

Criticising the lack of facilitations for growers, Khalid Khokhar, president Pakistan Kissan Ittehad, said the government had failed to take steps to boost the morale of farmers. “Ginners in District Sanghar have started buying cotton seed following a partial start of picking in the coastal areas of Badin, Golarchi, Sajawal and Gharu,” Khokhar said. Ihsanul Haq, chairman Cotton Ginners Forum (CGF), remarked the initial contracts for buying lint were finalised at Rs3,500 per 40 kg.

Source: thenews.com.pk- June 06, 2017

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## **Nigeria to set up \$500m Katsina Textile, Garment Cluster**

Katsina State Government has entered into agreement with BUA Group to facilitate 500 million dollars Katsina Textile and Garment Cluster that incorporates about 500 Small and Medium Enterprises (SMEs).

The State Governor, Aminu Bello Masari, who approved a committee led by his deputy, Mannir Yakubu, to facilitate the initiative and determine the suitable location of 500 hectares of land for project.

The government has not only waived all fees and taxes involving the state but bring its influence to bear on those involving federal government in a bid to boost diversification of the nation’s economy.

The governor further said that the multiplier effect of the Katsina Textile and Garment Cluster will go beyond Katsina and Nigeria borders, while applauding the direction and focus of the project.

BUA's Executive Director, Kabir Rabi, said that the conglomerate with enterprise value in excess of five billion dollars has concluded plans to invest in the cluster as part of the efforts to make the comatose textile industry viable again in Nigeria.

Rabi disclosed that the infrastructural development of the project expected to generate over 25,000 jobs would commence soon after its ground breaking ceremony before the end of this year.

They have the resources to commence site infrastructural development as well as the anchor textile that they need to put in place within the cluster. They will divide it into two phases of 250 hectares each to get the development done as soon as possible.

A lot of companies have already indicated interest in it as the garment industry is a huge sector. Nigeria imports 23 million pairs of jeans every year.

The Executive Director of BUA, who gave snapshot of the group, revealed that Nigeria's textile imports from China and India were valued at about four billion dollars, adding that Nigeria could fix its ailing textile sector by developing textile and garment clusters as in other countries with thriving textile industry.

The federal government has been urged to initiate incentives for textile clusters due to their huge potentials in wealth and job generation and other socio-economic development.

Source: yarnsandfibers.com- June 05, 2017

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## NATIONAL NEWS

### Textile machinery exports see steady rise

#### Spinning gear has scope for increase

For the textile engineering industry, which consists of more than 2,800 units producing machinery for different processes in the textile value chain, exports have shown a steady increase in the last five years.

According to R. Rajendran, president of Textile Machinery Manufacturers' Association, almost all the major global spinning machinery manufacturers have a base in India and China now. It is not only to cater to these two respective markets but also to other countries from here, he said.

“India is gradually becoming a manufacturing hub for textile machinery and so exports will only go up,” he says.

S. Chakraborty, advisor of Textile Machinery Manufacturers' Association, said exports increased from Rs. 1,523 crore in FY12 to Rs. 2,466 crore in FY15. Though official data shows a drop in exports in 2015-2016, private data indicated Rs. 2,572 crore of exports in 2015-2016, he said.

Areas with scope for exports currently are spinning and processing.

“India is a major manufacturer of spinning machinery. We export processing machinery too. But, a large number of looms, knitting and garmenting machinery are imported by the textile industry here,” Mr. Rajendran said.

Textile machinery imports were Rs. 7,643 crore in 2011-2012 and Rs. 10,305 crore in 2015-2016. This includes machinery, tools, and accessories. Apart from weaving and garmenting machinery, autoconers are also imported.

#### Slowdown impact

Though the economic slowdown had affected investments by the domestic textile industry, investments continue in select pockets. Some States have come out with State-specific textile policies.



Industries that focus on value addition, expansion, modernisation and replacements are driving investments in the domestic market, he added.

The Union Government has been focusing on development of machinery for weaving and processing sector. It has supported loom development projects on public-private partnership mode and also cleared a project to set up a common engineering facility centre.

If segments such as weaving and garmenting do well, demand for yarn will also pick up and this will drive investments, he said. According to Mr. Chakraborty, reduction in allocation of funds for Technology Upgradation Fund Scheme and resulting backlog in payment of subsidies in the past had affected investments.

Source: thehindu.com- June 04, 2017

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## **How is input tax credit calculated?**

From 1 July, GST would be charged on almost all the goods and services that we consume. There are five different GST rates—0%, 5%, 12%, 18% and 28%—which are prescribed for various goods and services. In the present regime, different taxes are charged at different stages of manufacture and trade of the goods and services. Going forward, almost all these indirect taxes will get subsumed under GST. Further, because of the input tax credit provision, only value additions at various stages will be taxed. Let's read more about what is input tax credit and how it works.

## **What is inputs tax credit?**

Inputs refer to materials or services that a manufacturer procures or avails in order to manufacture a product or services which is the output. The taxes paid by a manufacturer, while buying the raw material or services, are known as input tax and similarly the tax collected on the sale of the product or services is called the output tax. Given that GST is charged on both goods and services, input credit can be availed on both goods and services. "Input tax credit means that a business can reduce the taxes it has paid on inputs from the taxes it has to collect on output," said Archit Gupta, chief executive officer and founder, Cleartax.

For example, if you have a business and the product (or service) sold by you attracts 18% tax. And you use input goods (and services) in the course of your business. Then, you can reduce the taxes you have already paid on purchase of these inputs from the tax due from you (of 18%), explained Gupta. Manufacturers will add tax only on the value addition done by them and not on the entire value of the product.

Let us take the example of a manufacturer who makes steel utensils such as plates, spoons, etc. Let us assume that the manufacturer had bought raw steel worth Rs500 to make a steel pressure cooker. He also bought other raw materials for Rs100. Now, the GST for steel is 18%. Let us also assume that the other raw materials will be charged at 28%.

Now, on the steel he would have paid GST of Rs90, and Rs28 on other materials. So the total input tax paid by manufacturer was Rs118. Next, after taking into account the cost of making a pressure cooker out of the raw materials and including a reasonable profit, the manufacturer decides to sell it to a distributor at Rs800 plus GST.

Going by a simple rate calculation, if the GST on a steel utensil is 18% then the tax on it should work out to Rs144 and the manufacturer should invoice it for Rs944. But that is not what will happen under GST.

The manufacturer had already paid Rs118 as GST at the time of purchasing the raw materials. So, out of the total Rs144 that should be chargeable as GST, the manufacturer should subtract the Rs118 that he has already paid (which he can claim as input tax credit).

So, after taking into account the input tax credit, he should charge a GST of Rs26 on the steel utensil instead of Rs144, that is, GST calculated on the value of the good, minus the amount of tax already paid. Therefore, if the manufacturer wants to sell the utensil at Rs800, he should charge GST of Rs26. Further down the chain too, distributors and retailers should charge GST only on the value or margin that they add to the product, to avoid calculating tax on tax.

“The concept is nothing new as it already exists under the present indirect taxes [regime], that is, service tax, value added tax (VAT) and excise duty. Only its scope has been widened under GST,” said Amit Maheshwari, partner, Ashok Maheshwary & Associates LLP.

However, as per current rules input tax credit cannot be claimed for Central Sales Tax, Entry Tax and Luxury Tax and so on. In addition, some manufacturers and service providers cannot claim the Central Excise duty. Besides that, “under the present regime, cross-credit of VAT against service tax/ excise—or vice versa—was not allowed. But under GST, since these taxes will be subsumed into one tax, there will not be restriction of setting off this input tax credit,” added Maheshwari.

The input tax credit is expected to bring down the overall taxes charged on the product at present. “Now, since input credit will be available to the seller at each stage, the final cost of the product must come down. Therefore, if input credit mechanism works efficiently, final consumers may see cost reduction (since tax is not embedded in value, its credit can be availed),” said Gupta.

Maheshwari agreed, “This will benefit the ultimate consumer as the cost of production or services for service providers, traders or manufacturers will get reduced due to availability of more input tax credit and this will help in bringing down the price of goods or services to that extent.”

Source: livemint.com - June 04, 2017

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## **Textile Ministry finalising draft guidelines of NTP**

Ministry of Textiles is in the process of finalising draft guidelines of National Textiles Policy and same will be sent to the union cabinet for approval next month, a senior official said today.

Pushpa Subramanyam, additional secretary of Textiles Ministry said the Centre is awaiting a formal request from the Telangana Government for a formal request for assistance for the proposed Textile Park at Warangal.

"We have done stakeholder consultations with all segments, with all handloom weavers, big manufacturers (on the textiles policy). We have reached out to all the segments. We are almost ready (with the draft).

"Soon after the Textiles India-2017 is over, we will enrich the document with the more inputs from the event. In July it may go to cabinet for approval," Subramanyam said.

The policy aims to achieve USD 300 billion (over Rs 20 lakh crore) worth of textile exports by 2024-25 and create an additional 35 million jobs.

She was in the city to participate in a roadshow to promote 'Textiles India 2017' a mega exhibition and convention of the Indian textile industry to be held in Gandhinagar, Gujarat from June 30 to July 2.

The event is expected to be inaugurated by the Prime Minister Narendra Modi and attended by several union ministers and chief ministers of various states.

Replying to a query, she said there was seven per cent growth in the textile and garment exports from India between July 2016 and April 2017 (over previous year) on the back of some schemes announced by the Centre.

Last year the total exports stood at USD 40 billion while, the Ministry is targeting USD 45 billion this year, she said.

On the proposed Textile Park in Warangal, she said there is no dearth of funds for the project. "We are waiting for the proposal from the State Government. We have funds.

As soon as it comes we will sanction it," the official said. In a bid to boost textile industry, the State Government had proposed to set up a fibre to fabric textile park in Warangal.

Source: business-standard.com- June 05, 2017

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## **Of fibre, fabric and a fine future**

Ever wondered what modern day aircraft are made of? Not steel or any other metal but textile reinforced composites. The name may sound fancy and so may the technology behind this - technical textile.

According to a report published by the Indian Technical Textile Association (ITTA), India represents only 3% of the global technical textile industry, less than 5% of the global technical textile production, 4% of the export of technical textile world over and \$1.4billion worth import.

The report also says the per capita consumption of technical textile in India is 1.7kg whereas in other developed countries it is 10-12kg.

However, textile entrepreneurs and academicians believe that it is the next big thing in the industry and gaining impetus in the country. "In the West, most nations focus on technical textile. The volume of the consignments might be small but the profit margins are huge," said professor of textile technology at Anna University, Chennai, S Madhusoodhanan. It finds applications in an array of sectors – from medicine to space technology, said Madhusoodhanan, adding, "Since the field is in its growing stages, there is a broad scope in innovation and research."

Technical textile is taught as a part of textile technology. Principal of Bannari Amman Institute of Technology, Sathyamangalam, D Saravanan, said, "There are 12 broad areas of technical textiles – medical, automobile, clothing, professional, industrial and so on. Most institutes cover them in four to five subjects in the undergraduate level. Besides this, we also encourage students to take up projects during their final year."

With increasing demand for products in the field of technical textile, many students are showing interest in this field. There are 750 companies in India that manufacture products in the field, the chairman of ITTA Pramod Khosla said at a CII event in Coimbatore.

"Almost 80% students in our college are inquisitive about this field. And, at least half of them take up an elective or pursue their projects in this field," said Saravanan.

The critical part of technical textile is innovation. Given that the technology is in its nascent stage in our country, employment opportunities are limited. "But, one has to focus on becoming an entrepreneur," said the professor and head of textile technology at PSG College of Technology, Coimbatore, G Thilagavathi.

At PSG, there is a centre of excellence set up with help from the Centre at the cost of `28.5crore. "We encourage our students and outsiders to identify an idea in the field and the centre of excellence provides them with the research, management and entrepreneurial guidance and infrastructure," she said, adding, "We also give out ideas to potential entrepreneurs and help them develop business."

Source: timesofindia.com- June 06, 2017

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## **National Textile Policy soon**

The Union Textiles Ministry is gearing up to announce the national textiles policy soon.

Textiles Ministry Additional Secretary Pushpa Subrahmaniam said the Union Ministry has completed consultations with the stakeholders and outreach sessions with the industry on the issue and the policy would be ready soon.

Ms. Subrahmaniam was here to invite industry to participate in the Textiles India 2017, a global exhibition of textiles and related segments slated from June 30.

Prime Minister Narendra Modi would inaugurate the three-day event to be held in Gandhinagar and representatives from over 60 countries had already registered their participation.

The event, she said, is being planned to ensure that the annual calendar of the global exhibitions would also figure India which is one of the largest markets in the world.

She said the inputs from India Textiles 2017 would also be considered in finalising the textiles policy, which is expected to be announced by the end of next month.

The country's exports dropped after the stringent provisions that were put in place in the European markets, but the drop was very marginal as the country had no issues with compliances.

Exports witnessed seven per cent growth from July last fiscal after the government had announced an apparel package putting in place measures like reimbursement of 3.5% to 4.5% duty drawback on the State duties.

These measures are aimed at addressing the complaints from exporters that there is no level playing field for them in the European markets

compared to countries like Bangladesh which scrapped the import duties on textiles.

With the largest exporter China expected to cede space, the Ministry is confident of huge opportunities to the textile sector in the global markets as India is the only country comparable to China in the entire value chain of the textile products.

The Textiles Ministry had therefore fixed a target of \$45 billion exports during the current fiscal and is confident of achieving it.

Source: thehindu.com- June 06, 2017

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### **Centre waiting for State proposal on apparel park**

*Will clear it as soon as it comes, says Pushpa Subrahmaniam, Additional Secretary to the Ministry of Textiles*

The Central Government will clear proposal for setting up of an apparel park in Warangal as soon as it is received from the State Government, said Additional Secretary of Ministry of Textiles Pushpa Subrahmaniam.

“We are waiting for proposals from the Telangana Government. We will clear it as soon as it comes,” Ms. Subrahmaniam said talking to *The Hindu* when she was here on Monday in connection with promotion of the mega event, Textiles India 2017, slated to start at Gandhinagar in Gujarat from June 30.

She said the Ministry had conducted diagnostic studies of the problems facing powerloom weavers of Sircilla. Weavers from this area are suffering on account of technology, credit and high cost power, she said. She expressed concern that weavers in Sircilla opt for polyester and not cotton textiles.

“They are going for polyester in the cotton rich area. They will get much better returns if they switch over to cotton,” she said.

Another issue of concern was the use of outdated technology which involves high costs of power.

Upgradation of technology is one major step to survive and sustain in the competitive market, she said.

The government had therefore announced 50% subsidy on deployment of latest technology for general category weavers and the subsidy was around 90% to those from the SC/ST categories.

In addition, the Ministry is providing huge subsidy on procurement of solar panels to operate their looms on solar energy, she said.

“They have to survive competition. This will ensure that their products are price competitive and the costs incurred on power are less,” she said. Responding to a query on marketing facilities for manufactured products, Ms. Pushpa Subrahmaniam said marketing of the products would not be a problem if weavers can handle the quality of the product and make price competitive.

Source: thehindu.com- June 06, 2017

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## **Powerloom weavers fear yarn price hike after GST**

Powerloom weavers and textile traders are seemingly unhappy with Central Government fixing tax rates at 18 per cent on yarn and 5 per cent on fabrics under Goods and Services Tax (GST) regime.

At a seminar on 'impact and implementation of GST in textiles' organized by Southern Gujarat Chamber of Commerce and Industry (SGCCI) here on Monday, entrepreneurs opposed the representation made by the SGCCI and the Synthetic and Rayon Textile Export Promotion Council (GJEPC) for keeping uniform GST rates for man-made fabric (MMF) and cotton textiles.

Textile entrepreneurs said 5 per cent GST on fabric and 18 per cent GST on yarn will destabilize the textile sector and will lead to heavy increase in yarn prices from Rs5 to Rs25 per kilogram and create confusion among traders in getting input tax credit.



Surat Textile Exporters Association president Rakesh Choudhary stated that GST tax slabs in textile sector were not appropriate and that small weavers and traders will be hit hard.

Choudhary said for taking input tax credit, the traders will have to get advance receipt of goods, invoice date and time and place of delivery. Surat's textile sector is unorganized and most of the textile manufacturers do not have advance receipt of goods. In most of the cases, the manufacturers get advance payment before the goods are actually supplied. However, the traders will have to accumulate input credit.

Former president of SGCCI Amarnath Dora said, "At present, the weavers have to pay 0.75 per cent tax on yarn per kilogram. After GST is implemented, they will have to pay Rs2.70 to Rs5 per kilogram tax. This will result in increase in yarn prices from Rs5 per kilogram to Rs25 per kilogram."

Source: timesofindia.com- June 06, 2017

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## **Garment Show of India connects apparel retail industry**

Garment Show of India, a B2B exhibition that connects the apparel retail industry of India, is witnessing participation from over 100 exhibitors from across the country.

The B2B show for domestic apparel industry connecting retailers, wholesalers, distributors, e-retailers and retail chains with suppliers in North India is currently underway in Delhi.

Leading brands, manufacturers and retailers of a variety of products like ladies tops, trousers, leggings, denims, men's shirts, blazers, suits, trousers, T-shirts, kids' wear, sportswear, ethnic, party and occasion wear are displaying their collections at the event with 'Make in India' as its theme.

Participants and brands from all garment hubs like Delhi, Noida, Jaipur, Mumbai, Bangalore, Ludhiana, Kolkata, Hyderabad, Tirupur and many others are visiting the show.

"Our vision is to make Garment Show of India a one-stop platform for everyone who is involved in the apparel, fashion or retail business.

The idea is to bridge the gap between buyers and sellers; our exhibition has manufacturers/brands that can offer quality, fashion and competitive prices and match up with the requirements of retailers, retail chains, e-commerce companies and distributors," said Gagan Marwah, Organiser, Garment Show of India.

Leading retail chains like Pothy's, Chennai Silk, RMKV, Shoppers Stop, Lifestyle, Landmark Group, Bazar India, Reliance Trends, Amazon, Snapdeal, Myntra, Westside and many more are visiting the exhibition. More than 10,000 visitors are expected to visit the show over the three days.

Shiv Naresh, one of the most reliable players in sportswear; Brand Kaira from Hyderabad that makes attractive ladies wear; Babeez from Mumbai, a brand for kids and infants; Indira Hosiery Mills from Ludhiana; Cactus from Bangalore that makes innovative denims; Dotted Jeans, a high fashion brand for all type of denims; Tinted, Royal Wood, Mac Mount and several other companies are also participating in the exhibition.

"The Garment Industry is one of the largest industries in India and provides a livelihood to many people. The Textile and Apparel Sector contributes 14 per cent to industrial production, 4 per cent to India's Gross Domestic Product (GDP) and constitutes 15 per cent of the country's export earnings. It employed nearly 51 million people directly and 68 million people indirectly in 2015-16," said Manoj Tiwari, BJP president, while inaugurating the show.

Since GST is a hot topic today, a wide-ranging discussion on the issue was also conducted on Day 1 of the show. Retailers and manufacturers expressed their concern over 12 per cent GST rates on ready-made garments and its impact which has been affecting market sentiments for many months now.

They requested Tiwari to consider subsidised rates for garments as it comes under basic necessities and GST will make garments very costly in times to come.

The growth in apparel industry of India is a natural follow up to an increasing working population and disposable incomes. The Indian economy is a powerful magnet for concerns all over the world and a sizeable number of international brands have already entered the Indian market.

"Our mission is to work on our PM's vision of 'Make in India' and thus we created this platform Garment Show of India as Indian manufacturers have the expertise, craftsmanship and marketing skills to be able to produce variety and quality wear," added Marwah.

Source: fibre2fashion.com- June 05, 2017

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### **GST Regime: Garment exporters want remission of state levies**

As the country braces for the roll out of the goods and services tax (GST) regime from July 1, apparel exporters have asked the government to retain the remission of state levies (RoSL) under the duty drawback scheme, which was announced last year as part of the Rs 6,000-crore package for the garments industry, even in the new regime.

RoSL, under which garment exporters get refunds from the Centre against all the levies they pay at the states' level, is the most important scheme (with fiscal significance for the government) in the garments package. The government has already provided `1,900 crore so far for this scheme.

For the current fiscal, the government has budgeted `1,555 crore for the RoSL to the garments industry, although exporters are unsure if the scheme is indeed going to be retained under the GST regime. So, they are seeking at least a clarification on this issue.

To buttress their case, exporters said garment exports went up close to 32% in April from a year earlier, mainly due to the RoSL benefits. Apparel Export Promotion Council chairman Ashok G Rajani said as many as 80% beneficiaries of the RoSL scheme are exporters with a turnover of less than `10 crore per year.

He said the AEPC has made a representation to finance minister Arun Jaitley to continue the RoSL in the current form even under the GST regime.

Apparel exports have been registering double-digit growth since the start of the disbursement of RoSL (around December last year).

During March and April, garment exporters were able to increase production by around 30% and employed at least 5% more workers during the same period, according to Rajani.

Exporters say the RoSL scheme is in tune with the economic principle of 'zero rating' of export products and in recognition of the fact that at present only central levies are rebated by the way of drawback schemes.

Source: [financialexpress.com](http://financialexpress.com)- June 06, 2017

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## **Trade, manufacturing to boost 2017 global growth: World Bank**

The World Bank on Sunday maintained its forecast that global growth will improve to 2.7 per cent this year, citing a pickup in manufacturing and trade, improved market confidence and a recovery in commodity prices.

The update of the multilateral development lender's Global Economic Prospects report marked the first time in several years that its June forecasts were not reduced from those published in January due to rising growth risks.

The World Bank's 2017 global growth forecast of 2.7 per cent compares to its 2.4 per cent estimate for 2016, a figure that was increased by a tenth of a percentage point since January.

The World Bank said advanced economies were showing signs of improvement, especially Japan and Europe, while the seven largest emerging markets — China, Brazil, Mexico, India, Indonesia, Turkey and Russia — were again helping to drive global growth.

“With a fragile but real recovery now under way, countries should seize this moment to undertake institutional and market reforms that can attract private investment to help sustain growth in the long term,” World Bank President Jim Yong Kim said in a statement.

The bank boosted its 2017 growth forecast for Japan by 0.6 percentage point since January to 1.5 per cent, while the euro zone’s forecast was increased by 0.2 percentage point to 1.7 per cent. In both cases, a pickup in exports and unconventional monetary easing are helping to support growth.

Source: business-standard.com- June 06, 2017

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## **India eyes loopholes in WTO norms to continue with export subsidies**

In what could be crucial for ensuring export growth in the coming years, the Centre is exploring certain “grey areas” in World Trade Organisation (WTO) rules to see if it can continue with its export subsidy schemes for some more time despite the fact that India will cross the low-income threshold this year.

“The WTO rules say that when a member’s per capita gross national income (GNI) crosses the \$1,000 threshold for the third consecutive year, it is no longer eligible to give export subsidies.

“But what is unclear is whether India will be entitled to an eight-year phaseout period that is allowed under certain conditions. If there exists such a possibility, we may very well demand it,” a government official told *BusinessLine*.

### **FTP review**

With the Foreign Trade Policy (FTP) 2015-20 up for a mid-term review later this month, the Directorate General of Foreign Trade (DGFT) has asked the Trade Policy Division of the Commerce Ministry to examine the WTO rules minutely to see if India can make a case for an eight-year phaseout period for its subsidy.

India's GNI crossed the \$1,000 mark for 2013 and 2014, according to figures released by the WTO's Committee on Subsidies and Countervailing Measures.

In a couple of months, the GNI notification for 2015 will be released and India will, technically, not qualify any more for flexibilities.

This would mean that not only export subsidies for the textile sector — which is anyway going to graduate out in 2018 as it breached the sectoral criteria of 3.25 per cent of global exports in 2010 — but also sops for all other sectors would have to go.

### **Question of trust**

Once the Trade Policy Division gives its views on the matter, the DGFT will plan its actions accordingly. But the DGFT is making a strong case for asking the WTO for the eight-year phaseout period, as it does not want to make drastic changes in the existing export incentive schemes.

“Exporters were promised certain schemes for five years when we very well knew that India's status was about to change at the WTO. To keep their trust and ensure continuity we have to try and see that the schemes continue at least till the end of the FTP period,” the official said.

Popular schemes, like the Merchandise Export Incentive Scheme, Advance Authorisation Scheme and the Export Promotion Capital Goods scheme, may need to be discontinued once India crosses the GNI threshold.

“Given the state of our exports and economy at the moment, it would rock the boat considerably if export incentive schemes have to be discontinued or changed,” the official added.

### **Looking up**

India's exports declined for two consecutive fiscals (FY15 and FY16) but managed to post a marginal increase of 4.71 per cent to \$274.64 billion in FY17. The recovery, however, is fragile, as the growth is over a low base and the global demand situation continues to be grim.

Source: thehindubusinessline.com- June 06, 2017

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## **‘Trade deficit with India will not hurt U.S.’**

India Inc. has told the U.S. government that contribution of India to the overall U.S. trade deficit is too low to create any significant adverse impact on the American economy.

In its comments submitted recently to the U.S. Department of Commerce and the Office of the U.S. Trade Representative (USTR), India’s premier business association, the Confederation of Indian Industry (CII) has also said: “In light of the large market share that U.S. products have in the Indian market, it is clear that the balance of trade issue that is perceived is not due to a market access problem.”

### **Modi-Trump meet**

This development assumes significance as the \$24.3 billion goods trade deficit that the U.S. had with India in 2016 may prominently figure in the meeting between Prime Minister Narendra Modi and President Donald Trump expected later this month in Washington DC.

While the Trump administration may also take up its concerns over the protracted negotiations on the proposed Bilateral Investment Treaty, New Delhi would raise issues such as visa curbs and non-tariff barriers of the U.S. affecting India’s exports as well as the delay in talks on a bilateral totalisation (social security) pact.

The CII’s submission followed the U.S. Commerce Department and the USTR calling for comments from the public to assist in assessing, among other things, the major causes of the U.S. trade deficit as sought in President Trump’s Executive Order on March 31.

The Executive Order sought an ‘Omnibus Report’ from the U.S. Commerce Secretary and the USTR (in consultation with other U.S. government departments/agencies) within 90 days on ‘Significant Trade Deficits’.

The U.S. government said: “The trading partners with which the U.S. had a significant trade deficit in goods in 2016 were Canada, China, the European Union, India, Indonesia, Japan, Korea, Malaysia, Mexico, Switzerland, Taiwan, Thailand, and Vietnam.”

As per Trump’s Executive Order, “unfair and discriminatory practices by our trading partners can deny Americans the benefits that would otherwise accrue from free and fair trade...”

The CII stated that: “... during 2011-2015, India’s contribution to the overall trade deficit of the U.S. was only 2.5% (average).

Thus, India’s share in overall U.S. trade deficit is too insignificant to cause any adverse impact on the U.S. economy.”

As against this, China’s contribution to the overall trade deficit of the U.S. during 2011-2015 was 43.9% (average), while that of Japan was 9.4%. Germany (8.1%), Canada (4.4%), Mexico (8.2%) and Saudi Arabia (3.5%) were higher, the CII showed.

As per the U.S. government, “the U.S. (overall) annual trade deficit in goods exceeds \$700 billion, and the overall trade deficit exceeded \$500 billion in 2016.”

### **‘High tariffs’**

While the National Association of Manufacturers, the largest manufacturing association in the U.S. – has said American manufacturers continue to be challenged by India’s “excessively high tariffs on imports of a range of manufactured products”, the CII countered this by saying that “the major products that the U.S. exports to India have tariffs between 0-10%. This is lower than the tariffs other countries place on the same products in which the U.S. trades.”

The CII said though the U.S. is among the few countries that India has a trade surplus with, this must be put in context.

“Regardless of this surplus, the U.S. is the second largest exporter to India, second only to China,” the CII said.

Source: thehindu.com- June 06, 2017

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## Loose ends in GST

As the July 1 deadline to implement GST draws near, the GST Council still has a host of issues to sort out. On June 3, the Council completed the fitment of rates — deciding on the rates applicable to gold, diamonds, biscuits, textiles, farm machinery readymade garments and footwear on that day — but at the end of it all has thrown up the question of whether such a clutter of categories could have been avoided.

In a bid to arrive at a consensus and maximise revenue, particularly with a view to compensating States, the Council has stuck to existing levels of levy, instead of reducing and simplifying these to make matters easy for business.

Multiple tax rates for a commodity or service continue, or have actually been introduced where there was one rate earlier, as in the case of readymade garments. Hence, there are likely to be classification disputes.

Perhaps fearing the wrath of bullion traders, a separate rate of 3 per cent was carved out just for gold, which is more or less the same as the VAT charged by most States — when the Council could have gone up to 5 per cent. Diamond traders feel that even the 0.25 per cent duty on rough diamonds (they were exempt so far) is an unkind cut; their grouse seems to have more to do with the fact that they will enter the tax database.

When the Council meets on June 11, it should take into account complaints about wrong fitment of rates (such as those pertaining to power and pharma sectors).

What the 17-year arduous process of talks has achieved is considerable: creating one basket of goods and services that the Centre and States alike will tax, eliminating huge ambiguities over tax domain. However, the long-term goal of simplifying the tax system remains a work in progress, and should not be lost sight of.

Given the range of nuts-and-bolts issues that remain to be sorted out, the Council should consider postponing the launch of GST to September 1.

A major apprehension pertains to how the proposed anti-profiteering body will work. Fears that it may lead to the return of inspector raj should be dispelled. Prices are best kept in check by free play of competitive forces.

Businesses need to align their data and production systems to the new rates. The GST Network should have a dry run of about a month, given the sheer scale of dynamic data it will handle.

One of the apprehensions pertains to tracking a mismatch in invoices along the supply chain and issuing a notice in a prescribed format to the parties concerned. Forms to facilitate treatment of stocks as on the day before which GST comes into force, are not in place.

Clarity is needed on e-way bills for truck movements. Surely, 24 days seem inadequate to resolve so much.

Source: thehindu.com- June 06, 2017

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