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IBTEX No. 75 of 2017 Apr 15, 2017

USD 64.47 | EUR 68.42 | GBP 80.73 | JPY 0.59

Cotton Market (13-04-2017)

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
20318	42500	**84.33**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
20930	43781	**86.87**

International Futures Price

NY ICE USD Cents/lb (May 2017)	74.73
ZCE Cotton: Yuan/MT (July 2017)	15, 580
ZCE Cotton: USD Cents/lb	**86.07**
Cotlook A Index – Physical	**85.90**

Cotton guide:

Three days past this week cotton at ICE for May contract traded positive. Due to a single day positive move the change in the price is perceived to be positive over the last week however in rest two days market traded in a very sideways to bearish tone. In fact on Wednesday the contract ended at 74.73 cents per pound. The nearby July contract traded similar to the May contract and ended the session at 76.23 cents per pound. Today is the fourth day for a large long-only fund to move positions from May into July, indicating the large decrease in May open interest. The May '17 contract will see its first notice day on April 24. Total open interest decreased by 1,111 contracts to 250,988.

May contract open interest decreased by 10,698 contracts to 60,258 while both July and December interest increased by 7,645 and 1,743 contracts respectively, to 95,571 and 83,797. Certificated stocks were last reported at 325,062 bales. The CFTC report will be released today for the last week and believe shall give better picture about the total long/short positions in the market and behavior of unfixed on call sales positions.

Until we expect cotton market to remain sideways with selling on rise could be noticed. However, while we assess the technical chart for May contract market is expected to move in the range of 74.20 to 75.50 cents on today's trading session.

Before we comment on the spot market of cotton in India it is clear indication that the spot price of cotton and the global market continues to remain divergent. We have been noticing the spot price this week initially traded steady while there has been slight drift in the price. As per the latest update spot price of S-6 is quoted at Rs. 43,600 per candy, ex-gin. However, the future contracts of cotton have declined more than the spot market as the former has been also taking cues from the ICE price movement.

We believe now the disconnect is apparent and likely to follow the trend in the near term. By which we expect spot cotton price may continue to trade in the range of Rs. 43300 to Rs. 43800 per candy while the future contract for April may remain under stress. From the technical perspective we see April to trade in the range of Rs. 2850 to Rs. 20600 and break below 20,600 would prong the correction to Rs. 20450 levels.

More on the physical front the arrivals have been tight. As per the latest report, nationwide, daily seed cotton arrivals are estimated at roughly 84,000 lint equivalent bales, including 24,000 from Gujarat and 33,000 from Maharashtra.

Further the Cotton Association of India (CAI) has released its March estimates of the cotton crop for 2016-17season. CAI has reduced its production number to 34,050,000 bales (previous estimate was 34.1 million bales). Consumption has been increased to 30 million bales while imports have increased to 2.5 million. Total cotton supply is therefore estimated at 41.05 million bales, with a total available surplus of 11.05 million, before exports are taken into account.

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

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INTERNATIONAL NEWS

‘Chinese textile industry exploring Pakistan’

The rising cost of business and environmental issues in China has made Pakistan an ideal destination for relocation of Chinese textile industry, leader of a Chinese delegation and vice president of Tianjin People’s Association for Friendship with Foreign Countries, Mr Chen Weiming said on Friday.

He was addressing a meeting with the members of All Pakistan Textile Mills Association (Aptma).

He emphasised the need for adjustments to promote industry. “It will help in balancing trade of both nations,” he said.

The aim would be to create multidisciplinary, multiple formats and diversified development of modern textile industry, he added.

Aptma Senior Vice-Chairman Zahid Mazhar welcomed joint ventures in the textile sector.

Source: dawn.com- Apr 15, 2017

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Pakistan: Non release of incentives pushes exporters into losses: PHMA

Value added textile exporters have passed on the benefit of cut in cost to global buyers immediately after the announcement of PM incentive package to the export oriented industry.

However, the industry has not received any of the incentives yet. This was informed by Adil Butt, chairman, Pakistan Hosiery Manufacturers Association (PHMA).

According to Butt, the export industry has slipped in to losses as the Federal Board of Revenue (FBR) has not released funds, since they have already passed nearly all incentives to their buyers, which had led to sever liquidity crunch.

"Earlier, Prime Minister Nawaz Sharif had announced 7 per cent duty drawback rates for value-added textile exporters as incentives totalling to Rs 180 billion, in order to boost Pakistan's falling exports." Pakistan media reported.

He termed the liquidity crunch as major hurdle in promotion of exports. The textile industry had been facing unprecedented crises for many years and consequently, a sizeable textile capacity had been impaired, he said.

Source: fibre2fashion.com- Apr 14, 2017

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Bangladesh's CBIFT could become a fashion university

Necessary infrastructure and faculties may help turn the Chittagong BGMEA Institute of Fashion and Technology (CBIFT) into a university in the near future.

The institute will soon have additional courses along with post-graduate courses. Currently, it offers 4-year courses in Apparel Manufacture and Technology (AMT) and Fashion Design and Technology (FDT).

The first batch of 26 students has successfully completed their BSc Honours in AMT and FDT from the institute. They will receive their graduation certificates on a ceremony on April 15 that is being organised to celebrate the fourth anniversary of the institute affiliated with the National University of Bangladesh.

Nurul Islam Nahid, education minister of Bangladesh, will be the chief guest at the ceremony, said Nasir Uddin Chowdhury, governing body president, CBIFT at a press conference.

The institute started in 2013 with 34 students with the objective of generating technically workforce for the readymade garment industry of the country. It is currently located on 10th and 11th floor of the BGMEA headquarters.

Chowdhury said that the number of foreign experts has reduced from 5,000 to 1,000 in five years, saving a lot of foreign currency for Bangladesh.

Source: fibre2fashion.com - Apr 14, 2017

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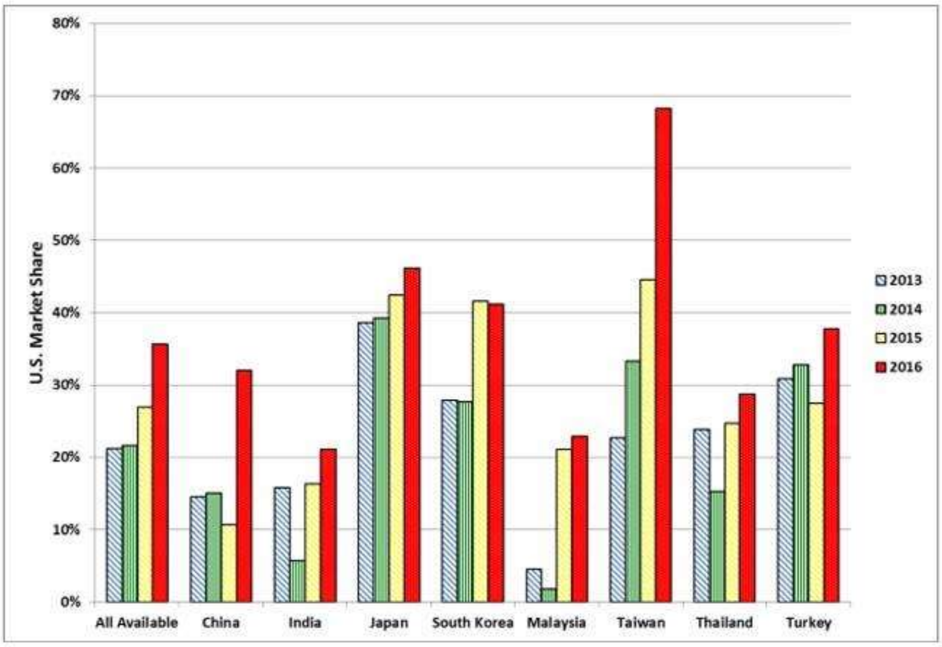
US cotton exports forecast to grow 53% in 2016-17: USDA

US cotton exports in 2016-17 are forecast at 14.0 million bales, a 53 per cent increase from the previous season, according to the US department of agriculture (USDA).



Overall, the US share of world trade is expected to reach 39 per cent, up from 26 per cent last season, which would be the highest level in 6 years, the April 2017 report on cotton said.

"With global trade expected to rise by less than 4 per cent and with stable import forecasts for major US markets, US market share will have to expand significantly in many countries for the forecast to be obtained," states the report 'Cotton: World Markets and Trade' released by Foreign Agricultural Service of the USDA.

Market share of US cotton is expanding in nearly all markets, with an exceptional increase in Taiwan.

The US share of China's imports has rebounded remarkably from 11 per cent last year (the lowest in over 2 decades) to 35 per cent, which is in line with the historical average.

"For 2016-17, global cotton use is raised only marginally, and production is raised, resulting in global ending stocks up slightly.

Global trade is up marginally, while US exports are raised by 800,000 bales, reducing US ending stocks. The US season-average farm price forecast is lowered a half-cent to 68 cents/pound," the report said.

Source: fibre2fashion.com - Apr 13, 2017

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Indonesia holds textile expo, aims to attract 9,000 visitors

The 15th Indonesian International Textile and Garment Machinery and Accessories Exhibition (Indo Intertex) aims to attract 9,000 visitors to its free event in JI Expo Kemayoran in Jakarta on April 19 to 21.

The event, themed "Productivity for Sustainability", will display the textile and garment machinery with the latest technology, vendors of raw materials, chemical laboratory equipment, digital textile printing machines and waste processing technology of 450 participants from 24 countries.

"To sustain businesses, the textile industry need to be oriented toward export and ready-made garments with cost-efficiency by using the latest technology," said Paul Kingsen, project director of PeragaExpo, the event organizer, during a press briefing on Wednesday.

Indonesia Textile Association (API) chairman Ade Sudrajat said nowadays clients requested faster delivery of up to three weeks, less than the previous demand for three months, so technology was needed to meet it.

The textile industry in the country has seen a declining trend in exports for the past few years. Export values reached a record high of US$13.2 billion in 2011 before gradually declining to $11.8 billion last year.

The industry has called the government to lower the stubbornly high electricity and logistics costs in the country and to curb the illegal importation of garments and raw materials that have reduced local industry's competitiveness, which was in its heyday in the 1990s.

Source: thejakartapost.com- Apr 13, 2017

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Australian wool markets move back to positive this week

Australian wool markets moved clearly back to the positive in sale week 40 of July-June 2016-17 as auction prices were sensationally dearer. The AWEX Eastern Market Indicator (EMI) climbed daily and concluded the selling week at 1512ac/clean kg, a gain of 53ac/clean kg for the week. Merino sector recorded gains of well over 100ac/ clean kg.

Buyers hit the market strongly to cover off new and existing open positions leading to gains in the merino sector. Crossbreds were well sought with just the carding segment losing out in an incredibly strong week, building on top of the already historically high price levels, said the Australian Wool Innovation in its 'Wool Market' weekly report.

However, with a weaker AUD v USD forex rate the move upwards was less intensive when the EMI is measured in USD but a still imposing 3 per cent rise to 1134usc/clean kg was achieved in a stellar selling week.

While, the merino sector experienced heavy prices rises this week, the superfine and ultra fine sectors (wools finer than 18.6micron) gained a 45 to 60ac/clean kg but it was the 19 to 21.8 micron area that was extreme with a 100 to 130ac/clean kg advance in price levels recorded, with the highest weekly price at the close of selling.

Early in the week it was local traders dominating, but the largest rises occurred when the major Chinese indent buyer joined in through the final day, but those locals had an average up their sleeve and were mainly able to out buy them. As this happened though most other buyers chose to completely avoid getting caught up in that type of aggression and left the action to just those 3 or 4 buyers.

The continuation of the wool market's stunning reversal of fortune after 2 weeks of rapidly diminishing levels was largely expected, but 3 or 4 buyers took the market to sensational daily gains this week. Recent history shows that moves of this scale are not always sustainable, particularly in a growing supply year, however wool growers were happy nonetheless, reflected in the reduced passed in rates of just over 5 per cent.

The erratic movements of the past 2 weeks indicate two major influences as to the way the wool market trading has developed since the supremacy of Chinese buying, the report said.

Analysing further, the report says that it is clear that the local buyers and exporters have their fingers on the pulse of the sentiment of their major clients. “The close relationships between overseas buyers and local operators transfers that demand (or lack of) immediately into the sale rooms.”

The second point is that the hand to mouth method of purchase from the Chinese is way and above the preferred means of purchase. This is evident from both sides, with local exporters exposing themselves to less risk by selling promptly and the manufacturers avoiding the pitfalls of buying too far into the future. This is risk adverse behaviour towards both the fluctuations in the price of wool and any exposure to shifting foreign exchange rates.

Australian auction sales will be in recess next week, and the next sale of 50,000 bales is scheduled to be on offer in the week commencing 24th April.

Source: fibre2fashion.com – Apr 13, 2017

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ICE cotton gains on strong export sales

ICE cotton futures nudged up on Thursday in thin volume trading, helped by positive U.S. export sales data ahead of the Easter weekend holiday in the United States.

"If we weren't in the holiday week prices would have been higher," said Jim Lambert, director of sales at FCStone Merchant Services. "The export report was excellent again. If you take that over to statistical bales we are probably right at USDA's number so we're in really good shape."

Weekly export sales data from the U.S. Department of Agriculture (USDA) showed net upland sales totaled 307,200 running bales for the previous week, up 14 percent from the week before.

The USDA raised its U.S. exports projection by 800,000 bales to 14 million bales, which it said would be the fourth-largest volume ever for U.S. exports, in its World Agricultural Supply and Demand Estimates (WASDE) data released earlier this week.

The July cotton contract on ICE Futures U.S. was up about 1.5 percent for the week. * The July cotton contract on ICE Futures U.S settled up 0.31 cent, or 0.41 percent, at 76.54 cents per lb. It traded within a range of 76.10 and 76.75 cents a lb. *

Total futures market volume fell by 3,310 to 45,814 lots. Data showed total open interest fell 5,136 to 245,852 contracts in the previous session. * The dollar index was down 0.21 percent. *

A U.S. government weather forecaster on Thursday projected a possible El Nino developing in the Northern Hemisphere in the late summer or fall.

Source: timesofindia.com - Apr 14, 2017

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U.S. Retail Sales Fall for Second Straight Month

Americans pulled back on their spending at auto dealers and restaurants in March, causing retail sales to drop despite signs of a healthy job market.

Retail sales fell a seasonally adjusted 0.2 percent, the Commerce Department said Friday, after a revised 0.3 percent drop in February. But over the past 12 months, retail sales have risen 5.2 percent, a sign that that the economy remains on stable footing.

Still, there are signs that consumers are growing more cautious even though the unemployment rate declined in March to a low 4.5 percent. Steady job growth as the recovery from the Great Recession nears its eighth year and a bump in consumer sentiment following President Donald Trump's presidential election have yet to strengthen spending much.

Richard Moody, chief economist at Regions Financial, said the decline might reflect a natural retreat after strong consumer spending in the final three months of last year.

The improving job market and rising household net worth should keep the economy in solid shape, he suggested.

"None of those things point to a structural slowdown in consumer spending," Moody said.

Ian Shepherdson, an economist at Pantheon Macroeconomics, cautioned, though, that the retail sales figures are "impossible to square with the stratospheric levels of consumer confidence."

The divergence suggests either an acceleration in retail sales later this year or a decline in consumer confidence.

"We expect a bit of both," Shepherdson said.

Since the start of 2017, Americans have cut back on purchases at auto dealers and restaurants and bars, two major sources of sales gains in prior years. Sales tumbled 1.5 percent last month at auto dealers and 0.6 percent at restaurants and bars. It was the second straight monthly drop in sales for both categories.

Spending at building materials stores also fell in March. And sales were lower at gasoline stations, though that likely reflected lower energy prices rather than waning enthusiasm from consumers.

Some of last month's pullback in retail sales was offset by rising purchases at department stores, clothiers and electronics outlets. Still, sales at those businesses have been sluggish over the past year.

One bright spot has been online retailers, which continue to thrive. Sales at non-store retailers improved 0.6 percent in March and have surged 11.9 percent during the last 12 months. More consumers are migrating away from physical stores to online outlets.

Source: wsj.com - Apr 14, 2017

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NATIONAL NEWS

Exports jumps 27.6% in March 2017

Exports rises 4.8% in April-March FY2017

India's merchandise exports increased at 65-month high pace of 27.6% to US$ 29.23 billion in March 2017 over a year ago. Meanwhile, merchandise imports jumped 45.3% to US$ 39.67 billion. The trade deficit more than doubled to US$ 10.44 billion in March 2017 from US$ 4.40 billion in March 2016.

Oil imports zoomed 101.4% to US$ 9.71 billion, while the non-oil imports also gained 33.2% to US$ 29.96 billion in March 2017 over March 2016. The share of oil imports in total imports was 24.5% in March 2017, compared with 17.7% in March 2016. India's basket of crude oil surged 41.3% to US$ 51.47 per barrel in March 2017 over March 2016.

Among the non-oil imports, the major contributors to the overall rise in imports were gold imports rising 329.2% to US$ 4.18 billion, electronic goods 32.1% to US$ 4.84 billion, pearls, precious & semi-precious stones 56.7% to US$ 3.01 billion, coal, coke & briquettes etc 76.9% to US$ 1.72 billion, organic & inorganic chemicals 24.9% to US$ 1.58 billion, machinery, electrical & non-electrical 13.5% to US$ 2.61 billion, vegetable oil 28.1% to US$ 1.06 billion and artificial resins, plastic materials 13.0% to US$ 1.08 billion.

The imports also improved for pulses by 52.9% to US$ 0.32 billion, non-ferrous metals 13.2% to US$ 0.87 billion, machine tools 40.5% to US$ 0.33 billion, metaliferrous ores & other minerals 26.3% to US$ 0.44 billion and chemical material & products 19.6% to US$ 0.50 billion.

On the other hand, the imports have declined for transport equipment by 36.4% to US$ 1.06 billion, iron & steel 15.6% to US$ 0.97 billion, fertilisers, crude & manufactured 17.1% to US$ 0.17 billion, wood & wood products 3.4% to US$ 0.39 billion and silver 3.2% to US$ 0.20 billion in March 2017.

On exports front, the engineering goods recorded an increase in exports by 46.7% to US$ 7.84 billion, followed by gems & jewellery 12.5% to US$ 4.11 billion, petroleum products 69.1% to US$ 3.70 billion, RMG of all textiles

20.3% to US$ 1.81 billion, drugs & pharmaceuticals 5.5% to US$ 1.62 billion, organic & inorganic chemicals 15.4% to US$ 1.50 billion, cotton yarn/fabrics/made-ups, handloom products etc 5.3% to US$ 0.89 billion, and rice 34.2% to US$ 0.64 billion.

The exports also moved up for electronic goods by 5.0% to US$ 0.62 billion, plastic & linoleum 19.1% to US$ 0.57 billion, marine products 42.7% to US$ 0.51 billion, spices 79.2% to US$ 0.49 billion and man-made yarn/fabrics/made-ups etc 13.6% to US$ 0.43 billion in March 2017.

However, the exports declined for, fruits & vegetables by 3.2% to US$ 0.27 billion, cereal preparations & miscellaneous processed items 4.1% to US$ 0.12 billion, tobacco 15.9% to US$ 0.09 billion in March 2017.

Merchandise exports in rupees increased 25.4% to Rs 192571 crore, while imports moved up 42.8% to Rs 261328 crore in March 2017 over March 2016. The trade deficit widened to Rs 68757 crore in March 2017 compared with Rs 29480 crore in March 2016.

India's merchandise exports rose 4.8% to US$ 274.65 billion, while merchandise import was nearly flat at US$ 380.37 billion in April-March 2017. The oil imports increased 4.3% to US$ 86.46 billion. India's merchandise trade deficit declined to US$ 105.72 billion in April-March 2017 from US$ 118.05 billion in April-March 2016.

Source: business-standard.com- Apr 14, 2017

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Telangana weavers to get direct subsidy: Minister

KT Rama Rao, handlooms and textiles minister of Telanagana has asked officials to formulate a handloom directory containing all the details of the weavers' condition.

He said that policies should be made to directly give subsidy benefits to handloom weavers and it could be made available to them by linking their Aadhaar and biometric identities.

Rao said at a review meeting held with concerned officials that chief minister K Chandrasekhar Rao wished to have a detailed document containing information about the number of handlooms, weavers and workers, production capacity of the units and more.

It will help the government create special policies to benefit the handloom and powerloom sectors.

The minister has also asked for data regarding the number of silk, cotton and grey cloth weavers as well as the information pertaining to marketing facilities for purchasing their items. The weavers should also get the opportunity to sell their items to the government as well as the outside market.

The government already provides 50 per cent subsidy on yarn to handloom weavers. The plan to set up handloom depots owned by the state in addition to National Handloom Development Corporation yarn depots was also discussed at the meeting.

Source: fibre2fashion.com- Apr 14, 2017

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Water scarcity threatens Dollar City’s garment industry

With Tamil Nadu facing an acute water shortage, textile unites in Dollar City Tirupur are also struggling. Though zero liquid discharge units help revive 90% of the water required for the garment industry, the remaining has to be added afresh every day. Tirupur's industries are struggling to find the 10% fresh water.

Industrialists in Tirupur are facing such a crisis perhaps for the first time in 20 years. With the awareness about the impact of dyeing effluents on the environment, all units in Tirpur have installed zero liquid discharge facilities.

"This helps us recover 90% of the water required for the industry. The remaining 10% has to be topped up every day," said the president of Tiruppur Exporters' Association (TEA), Raja M Shanmugam.

At present, 10-20% water required for topping up is being supplied by the New Tirupur Area Development Corporation Limited (NTADCL) from Bhavani River.

"The project is not running at its full capacity (185mld). At present, the supply is only half. And, given the shortage of water in Bhavani River, we might find it difficult in the coming days," Raja Shanmugam told TOI.

The Tirupur district administration had held meetings with local industrialists and had decided to provide corporation's sewage water for recycling.

"We will collect sewage water from two or three designated points and recycle it. We hope to meet the demands for the topping up every day from this," said Raja Shanmugam.

Industrialists say that water shortage has reduced their efficiency by nearly 25%. "Textiles industry is heavily water dependent, and shortage of water means it will impact our efficiency. At present, a large number of industries in Tirupur are functioning at 20-25% below their efficiency levels," said the managing director of Classic Polo, TR Sivaram.

There are also worries about the drinking water requirement for the labourers working in textile units.

"We are running short of drinking water too. Though we approached Mettur dam officials requesting them to release more water, they say that unless there is supply from Karnataka, water can't be supplied," Raja Shanmugam added.

Source: timesofindia.com- Apr 14, 2017

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Garment making centre inaugurated

In order to provide employment to the womenfolk of Sircilla textile town the State government launched a training-cum-production centre to produce garments at the Textile Park on the outskirts of Sircilla.

Minister for Municipal Administration, Handlooms and Textiles and IT K. Taraka Rama Rao inaugurated the centre on Thursday. District Collector Krishna Bhaskar, Joint Collector Yasmeen Basha and others were present.

The authorities have set up 40 Juki machines for providing training and production of garments. The number of Juki machines would be increased to 150 in due course of time.

Batch-wise

The centre would provide a 15 day training for a batch of 50 women. Further, it would provide employment to 200 womenfolk and ensure that they earn between Rs. 400 and Rs. 500 every day by producing 30 garments.

The Rajiv Vidya Mission had placed orders for 11 lakh school uniforms to be supplied to students in erstwhile Karimnagar, Nizamabad and Adilabad districts.

Speaking on the occasion, the Minister said that the government had decided to start an Apparel Park at a cost of Rs. 30 crore in Sircilla town to provide employment to locals.

The government was taking all steps for the empowerment of local women and setting up of training-cumproduction centre and apparel park were part of that, the Minister said.

The government had allocated Rs. 1283 crore for the handlooms and textile sector in the budget, he added.

Source: thehindu.com - Apr 14, 2017

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GST: CBEC suggests e-way bill for moving goods over ₹50,000

Freight worth over ₹50,000 will require obtaining a prior registration and generation of an e-way bill under the Goods and Services Tax (GST) regime. The provision is part of the draft electronic way (e-way) bill rules that have been released by the Central Board of Excise and Customs (CBEC). The Board has also released draft rules for audit and assessment.

“Comments from the public on these can be submitted by April 1,” it said.

Tax officials would be empowered to inspect the e-way bill any time during the journey to check for tax evasion.

“Every registered person who causes movement of goods of consignment value exceeding ₹50,000 in relation to a supply; for reasons other than supply; or due to inward supply from an unregistered person, shall, before commencement of movement, furnish information relating to the said goods in Part A of Form GST INS-01, electronically, on the common portal GSTN,” said the draft rules.

The e-way bills will be valid for 1, 3, 5, 10 or 15 days from the date of generation depending upon the distance the goods have to be transported, where one day would equal 100 km and over 15 days would be for 1,000 km or more.

“Upon generation of the e-way bill on the common portal, a unique e-way bill number (EBN) shall be made available to the supplier, the recipient and the transporter on the common portal,” stated the draft norms.

The rules propose to authorise the tax commissioner or an officer empowered by him to intercept any conveyance to verify the e-way bill or the number in physical form for all inter-State and intra-State movement of goods.

A summary report of the inspection of goods would be expected to be submitted within 24 hours of inspection and the final report within three days.

Audit and assessment

Assessees would be expected to furnish their response within 15 days in case of a query raised during scrutiny or audit of their GST returns, according to the draft rules for audit and assessment.

The rules also propose that for provisional assessment of tax the registered taxpayer can request for a payment of tax on a provisional basis through application Form GST ASMT-01 either electronically on the GSTN or directly through a facilitation centre notified by the Commissioner.

Source: thehindubusinessline.com- Apr 14, 2017

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Focus now shifting to specifics of boosting UK-India trade

The potential for growth in the India-UK trade following Brexit has been an issue that has cropped up frequently in the debate around Britain's decision to leave the European Union (EU).

With the triggering of Article 50, the focus has shifted to the specifics of what the exit and UK's trade partnership could entail, including the sectors that can benefit.

Recent sector-specific analysis, conducted by the Commonwealth, provides an initial picture of the move's impact on trade, estimating that bilateral trade can rise by up to 26 per cent a year under an Free Trade Agreement (FTA) between the two nations.

While much of the growth would come from reduction of tariffs by the Indian side (Indian tariffs are higher on average than the other way round — 14.8 per cent versus 8.4 per cent), it estimates that Indian exports to the UK could rise by as much as 12 per cent, with sectors such as the clothing, industrial, and mechanical appliances such as turbo jets and transmission shafts seeing strong growth.

The report also highlighted the opportunity for increasing the exports of services as well as new exports such as non-industrial diamonds, and specific mechanical devices.

While the figures are likely to be on the optimistic side (envisaging a zero tariff scenario, and the diversion of trade from regions such as the EU), they provide a snapshot of the beneficial impact an FTA could have on stimulating a trade and investment relationship that has faltered somewhat in recent years.

“There is great potential for future growth in trade between Indian and the UK. This is especially as the most recent UK government figures show India has dropped out of the top 20 export markets for the UK,” says Pratik Dattani, Director of FICCI, Briatin. “The coming months will, no doubt, see a need for continued robust analysis of the impact on trade in different sectors.”

“Bilateral trade research and reports, such as the one by the Commonwealth Secretariat, offer empirical evidence and a pragmatic model for countries to understand the impact free trade can make,” says Sarosh Zaiwalla of Zaiwalla Solicitors.

“While India has been negotiating a broad-based trade and investment agreement with the European Union since 2007, it has remained inconclusive…India was also unable to build and expand on its trade ties with the UK, as the country was part of the EU. But with Brexit, Britain offers a fresh start for India to engage on a whole and exciting new level on sectors, which have been largely dormant due to EU regulations.”

Working group audit

While there are concerns about Britain’s ability to simultaneously look at ways of strengthening relations with non-EU nations, at the same time, it is conducting negotiations with the EU.

Virendra Sharma, the MP for Ealing Southall who had opposed Brexit, is also optimistic about the potential for growth in sector-specific trade going forward, particularly given the uncertainty around Britain’s negotiations with the EU. “The best option for Britain will be India.”

Britain cannot commence negotiations with India on a trade deal while it remains within the EU, but both nations have been exploring the specifics of their trading relationship.

A joint working group between the two countries, set up last year, will be conducting an audit on the current situation and potential future, says Dinesh Patnaik, Deputy High Commissioner of India to the UK.

The audit's terms of reference are currently being established. "We are looking at where the opportunities lie...it could be a very significant moment for bilateral trade."

Source: thehindubusinessline.com - Apr 14, 2017

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A job to be done

A rethink on employment drivers, post the IT and oil boom, is called for

Over the next 10 years, some 130 million young people will join the labour force across India. An inability to create jobs for them will prevent the country from reaping the much-touted demographic dividend.

The Government needs to redraw various labour and industrial laws, and build a consensus on what a comprehensive employment generation policy ought to be.

There are two realities in this respect that cannot be ignored: the petering out of the IT story and the oil boom, both of which will add to the numbers of the unemployed. Disruptions caused by the 2008-09 global economic and financial crisis led to significant job losses in India.

The Trump administration's protectionist policy will have some ramifications for jobs in the years ahead. Increased automation in manufacturing too has hurt the employment scenario.

Alternative employment avenues need to be created, requiring reallocation of labour and capital.

While recognising that there are too many people dependent on agriculture, it is necessary to accept, in view of the recent history of jobless growth, that manufacturing cannot absorb this slack.

It is important, therefore, to focus on agro-based industries in rural areas, besides employment-intensive, export-oriented sectors such as garments and leather.

Rising employment in agro-industries, requiring relatively low levels of capital, can create demand for consumer goods. Hence, it would be a misnomer to isolate agriculture from the jobs story.

Programmes such as Make in India and Skills India should develop a rural focus if entrepreneurs other than small retailers and restaurants are to emerge in the countryside.

Meanwhile, organised retail has the potential to absorb thousands of people. As for the role of labour laws in holding up jobs in the organised sectors, provisions need to be in place to rehabilitate displaced workers. Small-scale industry needs to be encouraged by making 'ease of business' work for them.

For the world's second-most populous nation and the seventh-largest economy, India has no reliable data on jobs. The Annual Survey of Industries*provides data for workers and employees in 2.3 lakh factories covered by it.*

The Labour Bureau has begun tracking employment positions on a quarterly basis in eight sectors — manufacturing, IT, construction, trade, hospitality, healthcare, transportation and education.

The last report, released in March, states that just 32,000 additional jobs were created in July-October 2016 compared to the preceding quarter in these eight sectors. There is an urgent need to have a system in place to collect such data, to know how we're faring.

Source: thehindubusinessline.com- Apr 14, 2017

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Farmers' body raises red flag against textile park in Surat

Stating that setting up of a mega textile park at Pinjarat village in Olpad taluka of Surat district will affect the environment and violate Coastal Regulation Zone (CRZ), the Gujarat Khedut Samaj has on Thursday lodged its protest with the Southern Gujarat Chamber of Commerce and Industry (SGCCI) to drop the latter's move to set up the same.

The chamber had submitted its draft proposal to develop a Mega Textile Park on the government land to the state chief secretary last week. The Rs 2,000 crore project will come up on 2,000 acres of government land at Pinjarat village.

The state government has decided to depute industries commissioner Mamta Verma to the site on April 17 to examine the viability.

Gujarat Khedut Samaj president Jayesh Patel on Thursday met SGCCI president B S Agrawal and handed over a memorandum to him. In the memorandum, GKS has pointed out that that the project land falls near the coastal area and under inter-tidal zone area, as prescribed by Surat Urban Development Authority (SUDA) plan 2035.

This would pose threat to the industries during high tides in the sea. Further, the project land falls within the 500 metre area of Coastal Regulatory Zone and that this would adversely affect hit the fishermen of Pinjarat village by snatching away their livelihood.

SGCCI president B S Agrawal said, "We will form an expert team to look into all the objections raised by Gujarat Khedut Samaj. We will also follow the environmental norms and see that there is no disturbances caused to the environment and later we will decide whether to go ahead with the project or not."

GKS member Darshan Naik said, "We have tried to prevail over the SGCCI president on the ill-effects of the proposed project as it will violate the CRZ norms and even endanger the mangrove plantations.

He had assured us that he would consider all our objections and will later come to any conclusion.

The same group had launched an agitation against notifying of Choryasi and Olpad under the Special Investment Region which had forced the government to denotify them, in 2014.

Source: indianexpress.com - Apr 15, 2017

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Company set for a recovery in FY19

We initiate coverage on Welspun with Outperform and target price of `115. The global home textile market size is $45 bn, with expected 8.3% CAGR over 2015-20. Of this, the US cotton textile market is $7.5 bn and India has a strategic advantage in this market due to the supply of cotton and free market access.

In cotton bed sheets and towels, India has 50% and 40% market share, respectively, in the US. Welspun is a leading player in cotton towels and cotton bed sheets, with a continuously growing market share.

Three legs for the next phase of growth: Welspun's business posted 17% organic CAGR over FY12-16, and in FY16, it drew out a "Welspun 2.0" strategy, targeting $2 bn revenue by 2020 ($1 bn in FY17). New products/channels, new geographies (Europe, Japan, India, Australia) and innovative/branded products are the key components of this strategy.

Well set for a recovery in FY19: The provenance issues of Egyptian cotton sheets in August 2016 led to the loss of a major client and a 13% fall in the revenue base. However, management handled the situation well, in our view.

While revenue growth may drop to 5-8% in FY17-18 due to this, we expect a recovery in FY19, with 15% revenue growth. The new flooring capacity will also be operational in FY20, and can add 8-9% to FY20 revenue growth. While the margins may settle at 22-23% over the next 2-3 years, we expect over 20% earnings growth in FY19.

Initiate with Outperform: We initiate coverage on Welspun India with an Outperform rating and target price of `115, offering 37% potential upside from the current price.

The fundamentals of the business are attractive, Welspun is a leading and well-managed player, the balance sheet is in a comfortable position and cash flows are attractive.

While the Egyptian cotton provenance issue was an unfortunate one and likely reflects poor processes, we believe management handled the situation well and has come out of it with strong processes. We value the stock at `115 using a DCF model, with a cost of equity of 12.8%, target D/E of 0.25x, and terminal growth of 5%. On FY19 estimates, Welspun's P/E and EV/Ebitda multiples are also in line or lower than its peer group. We estimate a 6% FCF yield in FY19. Any trade barriers, high customer concentration and volatility in cotton prices/currency are key risks.

Source: financialexpress.com - Apr 15, 2017

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