iBtex. TEXTILE INTELLIGENCE CENTRE
INFORMATION BUREAU TEXPROCIL

TEXPROCIL NEWS CLIPPINGS

The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 54 of 2017 Mar 16, 2017

USD 65.38 | EUR 70.14 | GBP 80.21 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20246	42350	**82.66**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
21440	44847	**87.53**

International Futures Price

NY ICE USD Cents/lb (March 2017)	78.08
ZCE Cotton: Yuan/MT (May 2017)	15,795
ZCE Cotton: USD Cents/lb	**85.25**
Cotlook A Index – Physical	**86.40**

Cotton guide:

Huge distortion is noticed in the cotton price at the global markets. The domestic cotton spot price declined on Wednesday by Rs. 150 to settle at Rs. 43,500 per candy. However, the same wasn't the case for the domestic futures market. The near month future contract was trading steady to slightly weaker before the US session began however the counter took strong cues from the global cotton price which reversed its losses and moved substantially higher. The most active March future at MCX ended the session at Rs. 21310 up by Rs. 250 from the previous close. The ICE May future contract ended the session on a very stronger note at 78.08 cents per pound.

Basically there is distortion as well as divergence in the price performance and believe this should continue to have more volatility in the global in the very near term.

Coming to domestic market the pace of arrivals is slowing down gradually. By this time in the last five year of the month of March average arrivals should be between 180,000 to

200,000 bales a day.

However this year the arrivals are much lower than the average. As of latest figure the arrivals were lower at 136,000 lint equivalent bales including 38,000 from Gujarat and 49,000 from Maharashtra. Since the global cotton price has advanced and the domestic future price traded higher we believe domestic cotton market may realigned and possibly trade positive amid lower supply in the market.

Further on the global frontier, some far eastern business of US cotton has been reported, as of late, with most reporting sales consisting of various grades of Eastern M/O/T cotton. A few mills have fixed prices this week and for the most part, the majority is waiting for a clearer direction in ICE cotton futures trading. ICE estimated volume at 19,800 contracts, higher than yesterday's 16,903. At the time cotton settled, the US dollar was trading lower while grains were mixed.

This morning cotton future is trading at 78.33 cents per pound up by 0.33% from the previous close and the ZCE cotton future at China is quoted at 15,290 Yuan/MT. We believe the counter may remain positive. Today from the US we have the export sales figure. As we understand the numbers has been quite positive for the past few weeks and believe any remarkable change in the number would drive the market accordingly.

The trading range for the day would be 77.80 to 78.65 cents per pound. The domestic March future is expected to move in the range of Rs. 21220 to Rs. 21500 per bale.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	EU and ASEAN Mulling Relaunch of FTA Talks
2	Bangladesh can benefit from HK trade council
3	'China plays a major role in global cotton market': Peter Dong, Birla Jingwei Fibres
4	Belgium: ITMA 2019 to focus on innovating the world of textiles
5	Kenyan cotton firm urges farmers to increase production
6	Google in partnership with Levis launches smart jacket with woven sensors
7	Pakistan: Cotton price steady amid selective buying
	NATIONAL NEWS
1	India February exports jump 17.5%, imports up 21.8%
2	Cotton trade may soon have uniform unit of measurement
3	When forex losses bleed exporters
4	Centre unveils scheme involving states to create export infra
5	When capitalism turns full cycle
6	Our fashion not just about unbelievable yards of fabric: Designer Amit Aggarwal
7	Govt. going all-out to encourage industrial investment
8	After Poll Wins, Centre's focus now on creating more jobs for unemployed youth
9	Total yarn production falls by 0.2% y-o-y in January 2017
10	India, Russia to talk FTA, ways to up bilateral trade
11	Bilateral deal with UK will be better than EU system

INTERNATIONAL NEWS

EU and ASEAN Mulling Relaunch of FTA Talks

The European Commission indicates in a March 10 press release that the European Union and the Association of Southeast Asian Nations (ASEAN) have agreed to take new steps towards resuming free trade talks between the two regions. The decision was made at the annual EU-ASEAN ministerial consultations that were held recently in Manila.

Negotiations on a bilateral FTA originally began in 2007 but differences in the level of economic development and openness between the ASEAN members subsequently led the EU to pursue the talks in separate settings with individual ASEAN members.

So far, the EU has reached (but has not yet ratified) bilateral trade deals with Singapore and Vietnam and is pursuing negotiations with Indonesia and the Philippines, as well as an investment protection agreement with Myanmar. According to the Commission, EU and ASEAN countries will continue to advance these bilateral talks leading up to next year's ministerial.

Source: strtrade.com– Mar 16, 2017

HOME

****

Bangladesh can benefit from HK trade council

The trade council can work as a platform for proper use of Hong Kong's geographic and economic advantages.

Bangladeshi businesses have potentials to go global by expanding into Chinese mainland and using Hong Kong Trade Development Council (HKTDC), said an expert based in Hong Kong.

The trade council can work as a platform for proper use of Hong Kong's geographic and economic advantages.

Bangladeshi corporations including Small and Medium Enterprises can take the advantage through exhibition and can source opportunities from the year-round HKTDC fairs, HKTDC Director (Exhibitions Market Development) Johnny Wan said on Wednesday.

Johnny termed housewares, home textiles, garments, food, tea, as well as information and communications technology potential sectors.

The director is now visiting Dhaka to explore business and investment opportunities via Hong Kong. He has met with different ministries and trade associations to deepen economic relations between Hong Kong and Bangladesh.

Established in 1966, HKTDC is a statutory body dedicated for creating opportunities for Hong Kong businesses.

The top official has requested Bangladeshi companies to attend its trade fairs that serve as the prime facilitator to boost business opportunities and forge stronger trade links between Bangladesh and Hong Kong.

“Leveraging on Hong Kong’s intrinsic geographic and economic advantages, Bangladeshi companies can expand businesses into the Chinese mainland and the world using this value-adding gateway,” Johnny said at a press briefing at a city hotel on Wednesday.

He presented the media about Hong Kong, business and investment opportunities via Hong and HKTDC’s robust trade platform that may assist Bangladeshi companies to look for new markets to expand business and meet potential partners in Hong Kong.

“There are lots of potential in Bangladesh. Garment is the major potential of the country as the second largest RMG exporter in the world. In addition, food, sea food and frozen foods are another sector,” he said.

IT products like e-commerce, retail technologies, enterprise solutions and home-grown innovations and Houseware including jute products and ceramic products are also potential products to Hong Kong.

“Bangladeshi suppliers can meet with global buyers in Hong Kong to utilise their potentials.”

The total trade value between Bangladesh and Hong Kong amounted to nearly US$ 1.7 billion in 2016.

Major trade commodities between the two regions include telecommunications equipment and parts, leather, various kinds of fabrics such as knitted or crocheted fabrics, cotton fabrics, textile fabrics as well as other articles of apparel.

The total export to Bangladesh from Hong Kong was US$1.5 billion including telecom equipment, fabrics as major export category while the total import to Bangladesh from Hong Kong stood at US$0.2billion, mostly leather, textile, fabrics, etc.

Highlighting enormous and diverse opportunities awaiting Bangladeshi enterprises at HKTDC trade fairs, Johnny said they have signed a Memorandum of Understanding (MOU) with Export Promotion Bureau (EPB) of Bangladesh in 2016 to pursue a strong, effective and mutually beneficial partnership.

“The HKTDC has been eying opportunities in emerging markets. As a manufacturing powerhouse in South Asia with a rapidly expanding economy, and an important partner on the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor under the Chinese mainland’s Belt and Road Initiative, Bangladesh has been identified as a market with great potential for uncovering more bilateral opportunities.”

According to the official, a Bangladesh pavilion will be formed in the April HKTDC Hong Kong Houseware Fair with the support from the EPB, featuring 21 exhibitors.

HKTDC organises over 30 international exhibitions annually in Hong Kong that attracts a large number of exhibitors and buyers from across the globe.

The fairs that offer one-stop marketing and sourcing platforms may present prime opportunities for Bangladeshi traders to gather the latest market intelligence and form partnership and develop their business through Hong Kong.

HKTDC is going to host HKTDC Hong Kong Warehouse Fair, HKTDC Hong Kong International Home Textiles and Furnishing Fair on April 20-23, 2017; HKTDC Hong Kong Fashion Week for Spring/Summer on July 10-13, 2017; HKTDC Food Expo, HKTDC Hong Kong International Tea Fair on August 17-21, 2017; and HKTDC International ICT Expo on April 13-16, 2017 where Bangladeshi businesses were requested to attend to showcase their products to meet global buyers.

Source: dhakatribune.com– Mar 16, 2017

HOME

****

‘China plays a major role in global cotton market’: Peter Dong, Birla Jingwei Fibres

"Chinese market for yarn imports has seen a major shift due to two factors. One, lowering of price difference between international and domestic cotton this has made yarn imports less attractive. Further expansion of Xinjiang spinning capacity has made local yarn prices even more competitive due to cost advantages of spinning in Xinjiang.

However, yarn imports would continue as still there is a gap in cotton availability in China vis-à-vis the demand. “So, yarn imports are here to stay but price competition would remain intense,” highlights Peter Dong, Birla Jingwei Fibres."

Chinese market for yarn imports has seen a major shift due to two factors. One, lowering of price difference between international and domestic cotton this has made yarn imports less attractive. Further expansion of Xinjiang spinning capacity has made local yarn prices even more competitive due to cost advantages of spinning in Xinjiang.

However, yarn imports would continue as still there is a gap in cotton availability in China vis-à-vis the demand. “So, yarn imports are here to stay but price competition would remain intense,” highlights Peter Dong, Birla Jingwei Fibres.

Dealing with adverse situations

China being the dominant textiles market in the world is bound to have an impact on all international business in textiles, according to Dong. Due to increasing costs in China especially for cotton related products, China has shifted more and more to others fibres. Other markets like Vietnam and India are more competitive for Cotton yarns / fabrics now but they are still unable to match the scale and delivery capabilities of China.

“We as the largest viscose player in the world and are catering to specific niches in China market through our products Birla Modal and Birla Spunshades. Lot of yarn capacity in countries such as India, Pakistan etc, was added to serve China demand but with drop in attractiveness of China imports, it is creating extra competition in other parts of the world. At the end of the day, it is a global and interconnected market and China impacts rest of the world in a big way,” emphasises Dong.

Global outlook on cotton

Dong doesn’t expect global yarn production to increase by 3-4 per cent. Cotton yarn production is expected to grow by 2-3 per cent only whereas manmade cellulosic fiber yarns should grow by 6-7 per cent. “Bangladesh would be a growing market but he feels that more yarn needs to be converted to yarn and fabric within local markets itself rather than being exported. Exports are vulnerable to policy changes and government intervention in the form of duties.

Vietnam and Indonesia have good spinning capabilities but lack domestic cotton. However, they can import cotton easily from good sources. Vietnam’s demand and supply dynamics in short to long term, as its domestic consumption is increasing.

Vietnam has become a major yarn exporter now but that would change as local fabric production increases. Vietnam despite demise of TPP would remain an attractive textiles market in years to come” says Dong.

Expectations from Yarn Expo

“Yarn expo, March 2017 would be the first major textile industry event in Asia and we expect to see good participation from across the industry. 2016 was a volatile year but we finally saw yarn and fabric prices reverse the trend of falling prices and return to a more reasonable level. So, sentiment for 2017 and this event is broadly positive.

Further, we expect to interact with our partners in downstream value chain so as to be geared up to meet their requirements in future. We would be mainly highlighting Birla Micro-Modal and Birla Spunshades fibers during this exhibition.

While Micro-Modal meets the requirements of softness and addresses the trend towards finer and lighter fabrics.” Birla Spunshades addresses the issues of dyeing related pollution in the textiles industry. Both these products ideally fit the requirements of the industry and we would promote these during the show, remarks Dong.

“We are focussing on increasing visibility of viscose in the markets such as India through initiatives of Liva branding and Liva accredited partner forum. We are also upgrading our product mix towards more specialty fibres such as Modal and spunshades, which are meeting the needs of softness and resource conservation issues in textile industry,” concludes Dong.

Source: fashionatingworld.com– Mar 15, 2017

HOME

****

Belgium: ITMA 2019 to focus on innovating the world of textiles

ITMA, the world's largest textile and garment technology showcase will continue its focus on innovation for its upcoming edition in Barcelona in June 2019, with the main theme of the show being 'Innovating the World of Textiles'.

It is expected to host over 1,500 exhibitors from 45 countries spread over 100,000 square metres of net exhibition space.

As many leading textile machinery and raw material manufacturers, and service providers look forward to the exhibition to launch or promote their latest innovations, the organiser of ITMA 2019, ITMA Services, has already been receiving numerous enquiries for participation. Its online space application will open on 4 May 2017.

"The increasingly high level of automation and digitisation in combination with real time data tracking and interconnection has spawned the 4th industrial revolution and the emergence of smart factories.

ITMA is a unique showcase of live machinery demonstrations and innovative solutions that boost productivity and profitability," said Fritz P. Mayer, president of CEMATEX, the European Committee of Textile Machinery Manufacturers, which owns the ITMA exhibition.

"For this latest edition of ITMA, we have chosen to focus the industry's attention on innovation, which creates a competitive advantage for manufacturers. Sustainable innovation that drives growth for the textile and garment industry will continue to be emphasised at the exhibition," added Mayer.

"ITMA was last held in Barcelona in 2011. We expect strong response when the exhibition returns to the city after eight years. A host of exciting highlights and knowledge-sharing activities have been planned, which give added value to exhibitors and visitors alike," said AE Roberts, chairman of ITMA Services.

The last ITMA exhibition, held in Milan in 2015, featured exhibits from the entire textile and garment making value-chain spread over 108,268 square metres of net exhibition space.

It drew the participation of 1,691 exhibitors from 46 countries and almost 123,000 visitors from 147 countries.

Source: fibre2fashion.com- Mar 15, 2017

HOME

****

Kenyan cotton firm urges farmers to increase production

Severe cotton shortage in Kenya has negatively impacted the operation of the Rift Valley Textile (Rivatex) company, which has urged the cotton farmers of the country to increase acreage for producing more cotton.

The Eldoret based company is producing 10,000 bales of cotton on an average, as against its capacity of 70,000 bales annually.

Close to Sh300 million has been invested to upgrade the machines in order to produce items that adhere to international standards, said Thomas Kipkurgat, managing director of the company.

The national assembly had approved Sh500 million in 2015 for funding the company's purchase of new equipment, facilitating increase in production and in turn generating more income, according to Kenyan media reports.

Rivatex is also carrying out aggressive marketing to sensitize farmers for increasing the acreage of cotton, said Kipkurgat. He added that farmers need to increase their production to supply more raw materials to help the firm sustain its annual operations.

The company has also acquired about 250 acres of land to teach farmers to grow high-yield cotton.

Farmers from North Rift have also appealed to the government to introduce a stabilisation fund for a guaranteed market and better returns to save them from unpredictable prices.

Source: fibre2fashion.com– Mar 16, 2017

HOME

****

Google in partnership with Levis launches smart jacket with woven sensors

Google in partnership with Levis would bring "smart clothing" to the market using a technology codenamed Project Jacquard. Project Jacquard is a division within Google's Advanced Technology and Projects (ATAP) group that aims to transform 'everyday objects such as clothes and furniture into interactive surfaces.

Google is now powering jackets the Commuter Trucker Jacket’ that can recognize touch gestures. Connected to your smartphone, jacket can control calls and do a bunch of other things and now selling for $350 (about Rs 23,000).

The textile deploys conductive threads that the company created by combing thin, metallic alloys with natural and synthetic yarns like cotton, polyester, or silk. 'There have been wearable devices before, but the fact that the circuitry (sort of) is woven into the fabric of the cloth and is not a separate cluster hanging around the collar or cuffs.

Though the Trucker Jacket does have a sensing tag located in the cufflinks that you remove while washing. Other than that, Google doesn't talk about separate circuit boards hanging around. The cufflinks of the jacket can recognize gestures such as single/double tap or wave. Connected to the smartphone, it can help you get directions, control music or calls or maybe even launch Google Assistant to take voice commands via connected headset.

Google is trying to shrink down all the electronic components using present fabrication technology so it can be something as small as a button. So Jacquard is an interface embedded inside your clothes, blended in such a way that isn't visible. It is also developing 'custom connectors, electronic components, communication protocols, and an ecosystem of simple applications and cloud services' under the project.

Google said that the electronics are so seamlessly hidden (or rather woven) inside the fabric that there appears no different than the usual garment. Moreover, the technology is scalable to be used in factories to create yarns in a regular mill using standard equipment.

The jacket is made using Levis' standard manufacturing techniques and it doesn't need to be treated with any special care. It can be washed and worn and treated like any other garment; you just need to remove the Bluetooth cuff before washing it. And it's just the first garment that Levis is making with this tech -- the company wants to make athletic and business wear as well.

Source: yarnsandfibers.com - Mar 15, 2017

HOME

****

Pakistan: Cotton price steady amid selective buying

The cotton market on Wednesday gave steady posture amid selective buying and selling. Rapidly falling cotton stocks with ginners and shortage of quality cotton kept the market devoid of activity.

However, some deals were finalised on higher price offering from eager spinners who have to meet their immediate demand. The undertone remained steady and outlook positive.

The world cotton markets generally remained steady but lacked activity which was reckoned because of slow off-take of end products of textiles. However, it was encouraging that cotton yarn off-take on the domestic market was fairly brisk, brokers said.

Meanwhile, sowing of cotton for the new season has started in lower Sindh and it is being estimated that more area would be brought under cotton cultivation this season.

The Karachi Cotton Association's spot rates were firm at overnight level. Major deals on the ready counter were: 200 bales from Muhammad Pur Dewan at Rs6,825, 200 bales from Shujabad at Rs6,825, 400 bales from Faqirwali at Rs6,900, 800 bales from Haroonabad at Rs6,950 to 7,100 and 1,000 bales from Haroonabad at Rs7,000.

Source: dawn.com – Mar 16, 2017

HOME

****

NATIONAL NEWS

India February exports jump 17.5%, imports up 21.8%

India's exports grew at its fastest pace in multiple years by 17.5% in February while imports were up 21.8%, government data showed on Wednesday.

Analysts were cautious in indicating to a revival in global trade and uptick in industrial growth as the February numbers came on the back of a decline in exports and imports in the same month last year.

Exports were up 17.5% at $24.49 billion in February while imports were up 21.8% at $33.39 billion leaving a trade deficit of $8.9 billion.

During April-February, exports grew just 2.5% to $245.41 billion while imports were down 3.7% at $340.7 billion, leaving a trade gap of $95.29 billion.

"The impressive growth comes in the backdrop of a decline in exports during the same period last year. One needs to see a secular trend to arrive at a conclusion that exports have revived in a big way," said Madan Sabnavis, chief economist of CARE Ratings.

Exports have been shrinking since December 2014 to September 2016, due to weak global demand and slide in oil prices.

India's exports revived in September after falling by 0.3% in August and 6.8% in July. India's exports reversed the negative trend in June when it grew 1.3% after remaining in the red for 18 months.

India's oil imports were up by a whopping 60% at $7.68 billion while non-oil imports grew 13.65% at $25.7 billion.

During April-February, oil imports were down 1.8% at $76.74 billion while non-oil imports declined 4.2% to $263.95 billion.

India's merchandise exports contribute just 1.6% of global trade. The Narendra Modi aims to lift India's share to 5% by 2020 but rising protectionism in the US.

US President Donald Trump's "America First" restrictive policies coupled with Britain's surprise Brexit vote last year to leave the European Union has clouded the global trade outlook.

Modest global oil prices have helped India rein in the oil import bill even though the petroleum exports also suffered.

India's current account deficit narrowed to 0.3% of GDP in April-September from 1.5% in H1 of FY16 on the back of the contraction in the trade deficit.

Faster exports growth raises chances of some industrial recovery even as domestic demand was crimped by the demonetisation.

RBI has recently lowered its growth projection sharply to 7.1% for FY17 from 7.6% estimated earlier.

India's stats office estimated GDP growth at 7.1% for 2016-17, much slower than 7.9% in 2015-16.

Source: hindustantimes.com- Mar 15, 2017

HOME

****

Cotton trade may soon have uniform unit of measurement

In what is being seen as a major reform for the cotton trade in India, a committee empowered by the Textiles Commissioner of India is learnt to have proposed a uniform unit of weight for the domestic and international cotton trade.

The committee, which comprises of 7-8 representatives from the cotton trade, stakeholders, exporters and Cotton Corporation of India (CAI), has recommended a uniform unit of weight for cotton trading, in kilos or tonnes.

So far, cotton has been traded in different weight units at different parts of the value chain in different growing regions in the country. For example, Gujarat, the largest cotton producer, uses bales (each of 170 kg) for cotton procurement from markets, while kapas (raw, unginned cotton) is weighed in quintals. Ginned cotton is quoted in candies (355.62 kg each).

"A uniform unit of weight is very much required for the cotton trade in India. We have different units at different levels of the value chain. Even in different growing States there are different units for kapas. Somewhere it is quoted in maund, somewhere it is quoted in quintal," said Arun Brijmohan Sekhsaria, a leading cotton trader, and one of the members on the Committee.

"Nowhere in the world is cotton procurement quoted in bales. It is necessary not in terms of price or volume but important for a uniform quality standard," he added.

According to Sekhsaria, currently, the discussions on adopting a uniform unit of weight for cotton is at the level of the Textiles Commissioner's Office. "The Textile Commissioner has mandated the Committee to explore this possibility. We are exploring how it can be done. We have already recommended that buying should be in terms of kilos or tonnes only. This will make pricing accurate," he added.

A decision on the same is likely to be taken at the next board meeting of the Cotton Advisory Board (CAB), constituted by the Government of India to estimate crop, exports and cotton trade in the country.

Traders happy

Trader sources welcomed the move terming it a step towards more uniformity and transparency in the cotton trade. Says cotton exporter and sector expert Jagubhai Shah from Gill & Co: "This move will definitely help the cotton trade to a great extent. It was required as the price quoted in different States is based on different units of weight.

It causes ambiguity and confusion for the exporters, who have to plan their purchases accordingly. Export orders have a +/-5 per cent variation in the weight. We aren't sure exactly how much cotton will be there in a bale — 160 kg or 165 kg."

Cotton has been quoted in different weights at different parts of the value chain. the At production level, while farmers get the price based on quintal weight, the procurement at the market/mandis is quoted in bales.

While the Government of India has fixed a weight of 170 kg for a bale, many states still have bales with 160-165 kg. Ginned cotton is quoted in candy, while exports take place in terms of tonnes.

However, there are different views coming from some traders, who believe having a uniform unit of weight would prove to be a futile exercise.

"The weight is almost uniform. International prices are quoted in US Cents per pound, while domestic prices are quoted based on bales, which has already been fixed by the Government of India. I think, there is no point in doing this exercise. It is not going to serve any purpose," said MB Lal, a cotton expert.

Source: thehindubusinessline.com- Mar 16, 2017

HOME

****

When forex losses bleed exporters

Exporters must enter into options contracts to cover forex swings. Tata Motors' drop in profit holds out important lessons

In recent years, the UK subsidiary of Tata Motors (TM), JLR (or Jaguar Land Rover), has accounted for as much as 90 per cent of the parent company's profits. Therefore, it was no surprise when for the December 2016 quarter, a steep 60 per cent decline in JLR's net profits led to a 95 per cent fall in TM's net profits.

New launch costs, higher marketing expenses, wage settlements and large forex losses arising from a sharply weaker pound sterling were cited as key reasons for the decline in profits.

With respect to large forex hedging losses, we need to understand:

What has caused these large losses

What lessons other Indian companies, with multinational operations and financial linkages, can draw from the TM developments

How they can try to avoid or at least minimise such large forex losses in their operations.

The TM experience and the lessons from it would be relevant not only for large and complex companies. They are pertinent even for our much smaller garment exporters from Tirupur or Ludhiana — who export to the UK or the Euro Zone — and thereby take on significant currency risk in their operations, whether they invoice their sales in the pound, the euro or the US dollar.

When large swings in financial markets are the norm, currency risk becomes a bigger challenge in whatever currency a company invoices its exports or imports. Hence, the need for an enhanced technical approach in FX risk management to avoid/minimise losses.

How the loss occurred

As for the large forex losses of TM, immediately following the Brexit results in late June 2016, the pound fell from nearly $1.50 to $1.27 levels. It has then weakened further to $1.23/$1.24 levels as the chart shows. That is, looked at from a US dollar invoicing perspective, each dollar was fetching nearly 20 per cent more pounds by end 2016 compared to mid-2016. More than 80 per cent of JLR sales comes from outside the UK — and more critically — they seem to be invoiced in US dollars.

More than the invoicing currency, it is the choice of the hedge instrument for converting its export sales that seems to be generating losses for the company.

The company appears to have sold (through the conventional forward contract) its US dollar receivables based on a spot base-exchange rate of around $1.50 to the pound. With negligible interest rate differentials, the forward sale rates would have been quite close to the spot base rate of $1.50.

Therefore, JLR was converting its US dollar receivables into pounds at the vastly disadvantageous rates of around $1.50 per pound – whereas following Brexit, the Pound had crashed to the $1.23/$1.24. That is, JLR was receiving far fewer pounds (20 per cent fewer) per US dollar of sales since it had contracted to sell its US dollars (and buy pounds) at rates around $1.50 per pound.

This is reason behind those large forex losses (estimated at nearly $500 million).

(JLR's annual report indicates that the company uses both forward contracts and options contracts to hedge currency risk. But the large forex losses indicate that probably the share of options in hedging has to be increased).

What lessons?

The JLR and TM experience show (and not for the first time in Indian corporate history) that Indian companies have to look beyond the conventional forward foreign exchange contract to hedge the currency risk in their operations — particularly when currency markets are moving in large ranges and volatility is high.

The forward contract is a simple hedge instrument. It gives price certainty when converting one currency to another. But it is vulnerable to producing large mark-to-market losses or "hedging" losses when market moves are large. It cannot avoid or at least minimise large forex losses when market swings are the norm.

Consider a garment exporter to the UK. If the exports are invoiced in US dollars, the UK buyer bears the currency risk — he may then try to pass on pound sterling weakness by demanding reduction in the US dollar prices of his imports.

The exporter has to be ready to match that demand. He can do that only if he manages the risk inherent in the pound/US dollar exchange rate. That he cannot do with the conventional forward contract, as the TM experience well illustrates.

On the other hand, if the exports are invoiced in the pound, the Indian exporter here bears the currency risk. Then, it is all the more necessary for the exporter to do close management of the pound/ US dollar exchange rate. Again, the forward contract is not suited for this purpose.

Indian companies have to take recourse to simple foreign exchange insurance contracts — termed options contracts to manage risks/losses inherent in large forex moves.

These are contracts like any other insurance contract — say property insurance. The insured has to pay an up-front premium to the insurance seller.

If the insured event — which is the large exchange rate move — happens, the insurance contract pays-off — thereby off-setting the financial loss occasioned by the exchange rate move.

If the event does not happen, fine. The insurance premium paid, of course, is a sunk cost. But, does any insurance buyer regret that the risk has not come to pass?

Source: thehindubusinessline.com- Mar 16, 2017

HOME

****

Centre unveils scheme involving states to create export infra

The central government on Wednesday launched the Trade Infrastructure for Export Scheme (TIES) for creation of export infrastructure in the country through a scheme that involves the Centre and the states on a participatory basis.

Announcing the scheme here, Commerce Minister Nirmala Sitharaman said TIES is focused on addressing the needs of exporters thorugh the creation of common facilities.

"If a state government wants to have infrastructure like border haats, land customs stations, quality testing and certification labs or SEZs (Special Economic Zones), this scheme is to facilitate it on a participatory basis," Sitharaman told reporters here.

The minister said the scheme would run from the next fiscal 2017-18 beginning April till the financial year 2019-20.

To be funded by the Centre in the form of grants-in-aid, the scheme would have a total budgetary support of Rs 600 crore, with an annual outlay of Rs 200 crore, Sitharaman said.

"The participation is on a 50:50 basis between the Centre and the states, with a top cap of Rs 20 crore per project on the Centre's contribution and a project cap of Rs 40 crore," she said.

"Only for projects in the Northeast and hilly states can this grant go up to 80 per cent of the total equity," she added.

The minister said the "receptiveness of the states to the scheme has been very high" and they have been requesting Central support ever since assistance for creating export infrastructure through the ASIDE scheme had been discontinued from 2015-16.

Sitharaman also said that there will be a monitoring group headed by the Commerce Secretary to periodically review the progress of the projects approved.

Commerce Secretary Rita Teaotia said the objective of TIES is to enhance export competitiveness by bridging gaps in export infrastructure, creating focused export infrastructure, first mile and last mile connectivity for export-oriented projects and addressing quality and certification measures.

Source: business-standard.com- Mar 16, 2017

HOME

****

When capitalism turns full cycle

At the beginning of the seventeenth century, the global economic landscape was very different from what we see today. The largest economy in the world, was hold your breath – India with a share of 23% in the global GDP. The next major chunk belonged to China followed by all of Western Europe put together. Contrast this with today's contribution by India of a negligible 3%.

That India and China had a major contribution to the world economy during these days is not surprising. This was in the pre-industrial era, and the biggest factor that was relevant to gap were the number of people with the ability to work. India and china has huge populations, and traditional skills honed over thousands of years. They produced some of the finest silk and cotton, and Indian weavers were renowned the world over.

Things changed of course with the emergence of the Industrial revolution. Suddenly factor of production wasn't totally dependent on the number of people available. It had to do more with availability of raw material, machinery and capital. Manchester was the leader in cotton cloth production globally and it needed cotton from all over the world to make this happen. They imported it from all over the world including India and North America. In a lot of ways this was the economic trigger that precipitated the abduction of able bodied African men on its west coast and conscription as slave labour.

But then we're getting side tracked. To ensure that the textile mills in Lancashire were running, the British needed cotton. They also needed ready markets for the textiles they were producing. The colonies were subjugated to both objectives. India was producing some of the finest woven cloth in the world around that time. Once India became a colony, the British indulged in a number of punitive practices.

The tariffs for exporting finished cotton goods out of the country became exorbitant. At the same time, the tariffs for importing finished goods from England were miniscule. There was excessive taxation on production levied on Indian weavers. In certain cases, Indian weavers became physically incapacitated to allow for the successful manufacturing enterprise of colonial Britain.

By 1850, finished textile goods exports from India decreased dramatically. The rich traditional craft spanning thousands of years was decimated. After 1850s, Indian entrepreneurs started venturing out to create local textile mills. The industrial revolution did enter India although at a very slow pace. Not just india, but also a lot of the emerging economies like China, Japan, SouthEast Asia etc.

One thing noticeably different between Western Europe and the Asian economies was that the per capita wages were generally lower in Asian economies.

After world war II, the United States of America displaced Western Europe as the pre-eminent global economic power. US companies needed growth. This means increase in production as well as being able to find newer markets to generate demand.

Over a period of time, it became convenient for American companies to invest more and more in emerging economies for setting up the production base as the cost of manufacturing was lower. This slowly became a phenomenon, and each and every company in a competitive market was forced to shift its production to lower cost manufacturing centres around the world.

This lead to increased prosperity in these emerging economies, and soon people in these emerging economies were able to afford the goods being manufactured locally by the western companies. A vicious cycle was thus created.

Unfortunately, there were some unintended victims along the way. In the mid sixties in the US, a shop floor job in the manufacturing sector was paying as well as a white collar job, and required little education. As manufacturing started to get shipped overseas, these jobs were under pressure and if you could only work with your hands, it became tough living for American blue collar workers.

The dissatisfaction with the status quo, and the general feeling of apathy from all quarters is what has motivated the phenomenal electoral success of the Trump campaign in 2016. In a way this is a full circle of first world manufacturing.

The same industrial manufacturing that has lead to a loss of traditional jobs in Asiatic economies is now resulting in difficult times for American workers after 300 years.

A new loop in the manufacturing cycle is about to begin with the emergence of automation, robotics and AI in the manufacturing process resulting in very few people being required to run a factory. The jury is out on that.

Source: telanganatoday.news- Mar 15, 2017

HOME

****

Our fashion not just about unbelievable yards of fabric: Designer Amit Aggarwal

Designer Amit Aggarwal says although mesmerising in its approach and culture, Indian fashion has more to offer than the traditional saree.

Amit, who will be showcasing his couture line for autumn winter 2017 at the grand finale of Amazon India Fashion Week with his mentor Tarun Tahiliani, feels there is a need to contemporise the Indian textiles.

There is a hue and cry about Made in India. But when we are trying to save our heritage and put India as a real contender on the world map, we should also look at the advancements in the industry.

"I dont think Indian fashion is just about weaving unbelievable yards of fabric, which cannot be converted into international fashion," says Amit.

The designer says his collection will showcase a "fresh, new look" where "organic or hand-woven textiles are mixed with industrial waste".

"We are connected to our heritage in multiple ways through our families, parents or the history of the bygone years. We have plugged this theme with the bridal wear for the first time on the runway. It is about saving and giving a new language to old hand-woven textiles."

Talking about the equation he shares with his mentor, Amit says although he has worked under Tahiliani, he has grown his own aesthetics.

He says the collection celebrates the blending together of their individual styles.

"We both love jewelled tones for a quintessential trousseau look and thats where we tie in together. Tarun also enjoys the fact that I play a lot with structure and volume and yet keep femininity in place."

Amit says the collection that he will showcase with Tahiliani is a great blend of everyday wear for a woman to hi-end pieces to bridal trousseau.

"It is basically the entire journey of a womans wardrobe. There is not just heavily embellished couture but also easy separate shirts that you can pair up with a beautiful lehenga skirt.

"There is also a choice where a beautiful sari can be worn with a moulded corset or a pair of pants. You can wear it like a suit as well, then throw in a jacket. You actually break it down... Theres an option for a million things in the collection," says Amit.

The shoes and jewellery are like the icing on the cake for every fashion designers collection. This time Aprajita Toors footwear is going to light up the runway for Amits show.

"The runway is going to be a semi-reflective surface. We wanted the models to appear as if they are floating in the air. So, we got the shoes made out of glass ? transparent shoe with a dori to keep it in place.

"The jewellery by Misho is beautiful and in curvy little forms which look really eclectic. Its a great addition to the show."

While the showstopper for the D-Day is expected to be a surprise, illustrious names from the industry such as fashion entrepreneurs Kalyani Chawla and Pernia Qureshi, editors like Nandini Bhalla will walk the ramp to support the designers on the grand finale on March 18 at Jawaharlal Nehru Stadium.

Source: indiatoday.in- Mar 15, 2017

HOME

****

Govt. going all-out to encourage industrial investment

The State government is taking various steps to encourage industrial investment in the State and the implementation of the 'Ease of Doing Business' initiative is progressing smoothly, Industries Minister A.C. Moideen informed the House on Wednesday.

The government has appointed KSIDC as the nodal agency to implement the initiative, which aims to meet the parameters laid out by Department of Industrial Policy and Promotion for starting a business, dealing with construction permits, registering property, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

By achieving the set parameters, Kerala is aiming for a frontline ranking in the 'ease of doing business' environment among all States, he said.

The NIC has been asked to draw up an online common application form by integrating the application forms of all related departments. An intelligence software is also being developed to ease the process of clearance of building construction plan and permits.

The current single-window system will be strengthened through an Investment Facilitation Centre, Mr. Moideen said.

The government is expediting the process of land acquisition for industrial projects. Land is being acquired through negotiation and by offering the current market value and not at government-fixed price, Mr. Moideen said. Central investment in public sector units were coming down and most were on the verge of shut down. Of the 41 PSUs in the State, only 11 were being run profitably.

There is no working capital funds for renovating and refurbishing these industries and there are issues of marketing also. Each industry would have to be examined and projects drawn up for its revival, which the government intends to do in phases, he said.

BHEL's Kasaragod unit which was started as a joint venture is in a crisis now that the Centre wants to withdraw from the venture. The government has requested the Centre that the unit be retained in the public sector.

Textile mills

The government is taking all necessary steps for the revival of textile mills, which is facing a crisis in the State because of Central government policies, issues of technical upgrade of mills and reduced market price for the products.

Though the crisis had been acute in recent months, the government has now given financial assistance for all textile mills and has taken steps to make cotton available through Central purchase. All textile mills will soon be made functional, Mr. Moideen said.

TTP profit

In reply to a question by V. S. Sivakumar, Mr. Moideen said that Travancore Titanium Products Ltd (TTP). will become a profitable unit this year.

However, a new crisis is now developing at TTP with the company now being asked to repay dues, including interest, worth ₹35 crores to the Centre, incurred following the import of machinery to reduce environmental pollution. The machinery worth crores has been lying unused in the company, he said.

Source: thehindu.com- Mar 15, 2017

HOME

****

After Poll Wins, Centre's focus now on creating more jobs for unemployed youth

After massive victory in recently concluded assembly elections, the Centre has now shifted the focus on delivery. In a communiqué, the government has asked the ministries and central departments to gear up for creating more jobs.

The government has also sought a detailed report on jobs created by the various departments since NDA came to power in 2014. Top sources said the exercise would help to examine the pace they have maintained in creating more and better jobs and also to identify the gaps for remedial measures.

“ Provide the details (physical achievements, sector-wise) in terms of employment generated (direct and indirect) along with a brief write up of the schemes implemented for employment generation by ministries for the last two years- 2014-15, 2015-16- and also for new schemes yet to be launched,” the government letter said.

The government has also initiated the move to capture data on direct and indirect employment on a regular basis to improve policy making. Government sources said in the last quarter of 2016, the available data was almost a year old (last quarter of 2015).

The 2015 national skill development policy envisages training 500 million people by 2022. According to government own estimate only 4.7% of the total workforce in India has undergone formal skill training much less than in China or South Korea.

“ Administrative requirements for complying with existing labour laws have been eased. The Central government reformed the apprentice act to increase the number of industrial sectors which can employ apprentices,” said the sources.

Sometime in June 2016, the government had approved a special package including paying the 12% employers contribution to the pension system for the new employees to boost job creation in the labor-intensive garment industry.

The government had also increased overtime limits to 8 hours a week, refunding the state levies and brining in parity between the contractual and permanent workers in terms of wages and other compensation elements.

According to the government data available till December 2015, additional 1.35 lakh jobs were created. The lowest job creation was in transport sector with only 4,000 additional employment. The highest job-creating sector was Informational Technology, followed by textiles.

To assess the effect of economic slowdown on employment in India, Labour Bureau under the Ministry of Labour & Employment, has been conducting Quarterly “Quick Employment” surveys in selected labour intensive and export-oriented sectors, namely, textiles including apparels, leather, metals, automobiles, gems & jewellery, transport, Information Technology, BPO and handloom, power loom.

The government in November last year had said that Indian IT industry generated about 3.5 million direct jobs in India during 2015.The number of indirect jobs created domestically was estimated at 10 million. Under the Digital India Programme, employment opportunities with around 5 lakh was created through Citizen Service Centres (CSCs) in 2015, mostly in rural areas across India.

Source: newindianexpress.com- Mar 15, 2017

HOME

****

Total yarn production falls by 0.2% y-o-y in January 2017

Output to decrease by 0.3% in 2016-17

Total yarn production decreased by 0.2 per cent y-o-y in January 2017. Output stood at 567.3 thousand tonnes during the month. Production of synthetic yarn remained flat at 224.7 thousand tonnes. Cotton yarn output fell by 0.4 per cent to 342.6 thousand tonnes.

During April 2016-January 2017, cumulative yarn output decreased by 0.2 per cent to 5,619.7 thousand tonnes. Output of cotton yarn fell by 2.3 per cent to 3,377.4 thousand tonnes. This was due to a rise in prices of cotton, which made cotton yarn less attractive among yarn manufacturers via-a-vis synthetic yarn.

Production of Cotton & Blended Yarn						
Month	**Production**					
	Total		**Cotton**		**Synthetic**	
	'000 tonnes	**Y-o-Y % change**	**'000 tonnes**	**Y-o-Y % change**	**'000 tonnes**	**Y-o-Y % change**
Jul 2016	570.9	0.26	342.9	-3.68	228.0	6.84
Aug 2016	568.2	-1.25	335.0	-5.63	233.2	5.81
Sep 2016	558.3	1.09	327.8	-3.02	230.5	7.56
Oct 2016	540.0	-3.88	312.5	-8.25	227.5	2.85
Nov 2016	546.4	3.09	327.0	2.16	219.4	4.53
Dec 2016	556.8	-3.28	342.8	-2.89	214.0	-3.91
Jan 2017	567.3	-0.23	342.6	-0.44	224.7	0.09

Also, overseas demand for cotton yarn diminished. On the other hand, cumulative production of synthetic yarn grew by 3.1 per cent. This was backed by an improved demand for synthetic yarn in the domestic as well as overseas markets.

Production of cotton yarn is likely to remain subdued during the coming months. Output of synthetic yarn is expected to remain steady. Therefore, for the entire year 2016-17, total yarn production is expected to fall by 0.3 per cent. Cotton yarn output is likely to decrease by 2.6 per cent. Synthetic yarn output is expected to increase by 3.4 per cent during the year.

Source: industryoutlook.cmie.com- Mar 15, 2017

HOME

****

India, Russia to talk FTA, ways to up bilateral trade

The ministers are expected to take stock of the report of the joint study group on the feasibility of a free trade agreement (FTA) between the India and the Eurasian Economic Union (EAEU) and decide on the timeframe for bilateral negotiations and components of the proposed pact.

Trade ministers of India and Russia are expected to chalk out a road map for signing of a free trade pact the Eurasian Economic Union and take up issues to boost bilateral trade at a meeting here tomorrow.

The Eurasian Economic Union includes Belarus, Kazakhstan, Russia, Armenia and Kyrgyzstan.

Commerce and Industry Minister Nirmala Sitharaman and her Russian counterpart Denis Manturov are slated to address the India-Russia Business Forum after inaugurating the International Engineering Sourcing Show (IESS).

The ministers are expected to take stock of the report of the joint study group on the feasibility of a free trade agreement (FTA) between the India and the Eurasian Economic Union (EAEU) and decide on the timeframe for bilateral negotiations and components of the proposed pact.

The two sides may also take up the issue of mutual market access for agricultural and processed food products, including dairy products and bovine meat, to widen the range of products for bilateral trade.

Several measures, including an agreement on a free trade zone between the EAEU and India, is expected to help increase the bilateral trade with Russia to USD 30 billion by 2025, which stood at USD 6.17 billion in 2015-16.

India is slated to showcase its technological and engineering prowess to top international firms at the IESS.

The 3-day event, beginning March 16, is being organised by engineering exporters' body EEPC India and is likely to see participation from 400 top global exhibitors and over 500 foreign delegates.

India's engineering exports are likely to touch USD 62 billion in 2016-17 on the back of revival of demand in the US.

For April-January 2016-17, the engineering exports have touched the USD 50.87 billion mark, exceeding the total shipments of USD 49 billion for the whole of 2015-16.

EEPC India Chairman T S Bhasin said that while the engineering exports have started growing again, the growth has come about on a low base, an offshoot of sluggish performance in the last few years.

Delegates from countries, including the UK, Brazil, the US and the UAE, are taking part in the IESS.

Source: moneycontrol.com- Mar 16, 2017

HOME

****

Bilateral deal with UK will be better than EU system

Brexit will be beneficial for Indian manufacturers as a bilateral deal with the UK will be better than the current EU system, according to Sriramulu Balakrishnan, MD of KG Denim. He also says that as India does not enjoy any preferential tariffs relating to the US, any increase in import tariffs by President Donald Trump will not affect Indian exporters.

"US imports of textiles and garments from India are already subject to tariff. India does not enjoy any preferential tariffs relating to the US. Any increase in import tariffs will not affect Indian exporters, and this increase will be applicable to all countries.

India exports denim fabrics to many countries in Asia, Africa and South America, which in turn are exporting garments to the US on a favourable nation policy. Only after concrete policies are announced in the US, can we discuss the impact of protectionism," Balakrishnan told Fibre2Fashion in an exclusive interview.

Talking about the global demand for denim fabrics, he said that they are changing every season with innovative finishes and technical aspect of the product.

"Jeans is a fashion product, brands and retailers are moving towards fast fashion. Our customers are moving towards selling fashion at a price, trying to imitate the Zara model. Therefore, there is constant pressure to provide new products on a regular basis," added Balakrishnan.

When asked about the competition in the textile product segments, he said, "All products in the textiles and apparel segment face competition. Our strategy has been to focus on niche segments so as to insulate our price and margin structure. Our ethical practices regarding labelling in organic and other segments have helped us build trust with our customers."

The demand for denim in the domestic market has grown at a strong rate of about 7.5 per cent CAGR in the past 6 years (2009-10 to 2015-16). Domestic market demand will continue to grow, with short-term variations due to demonetisation, fashion and domestic economic cycles. Export demand is currently stagnant due to uncertainties in many overseas markets, noted Balakrishnan.

Source: fibre2fashion.com- Mar 16, 2017

HOME

****