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

NEWS CLIPPINGS –21-04-2018

Plea to remove cess	The Hindu http://www.thehindu.com/news/cities/plea-to-remove-cess/article23619823.ece

Waste cotton traders in the State have sought removal of market cess on the product. R. Senthil, co-ordinator of the waste cotton traders' association, said raw cotton attracts 1 % cess in the State and waste cotton also attracts 1 % market cess.

After the implementation of Goods and Services Tax (GST) most of the States that were collecting the cess have removed the tax levied on cotton or waste cotton. However, Tamil Nadu contintues to collect it. Waste cotton does not go to the markets and is moved from the textile mills to industries that use the cotton for different purposes such as making mattress, carpets, and yarn. Under GST, cotton attracts 5 % duty. Hence, there is no need for another cess, he said. About 10,000 traders handle five lakh to eight lakh kg of waste cotton a month in the State.

Ready-made garment manufacturing centres opened	The Hindu http://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/ready-made-garment-manufacturing-centres-inaugurated/article23623004.ece

Panchayat level ready-made garment manufacturing centres promoted jointly by the Tamil Nadu State Rural Livelihood Mission and the Social Welfare Department for the Selleppampatti and Thattiengarpatti village panchayats were inaugurated by Electricity Minister P. Thangamani and Social Welfare Minister V. Saroja on Sunday.

Speaking on the occasion, Mr. Thangamani said that readymade garment centres will benefit 30 members of the women self-help groups (SHGs) of each of the two village panchayats. Rasipuram-based 'Every Youth Garments' has entered into a contract and it will place orders and procure the ready-made garments, he said. District Collector M. Asia Mariam presided over the function. R. Mani, project director, Tamil Nadu State Rural Livelihood Mission, and others were present. Later, Mr. Thangamani and Ms. Saroja laid foundation for the construction of 16 additional classrooms and a couple of modern laboratories at Thiruvalluvar Government Arts College, Rasipuram. The project will be executed at an outlay of Rs. 3.30 crore.

Wind power capacity addition lean	The Hindu http://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/wind-power-capacity-addition-still-stuck-in-the-doldrums/article23622781.ece

State's story of solar energy looked very good till March 2017; authorities hopeful

The last five years marked an extremely lean phase in wind power capacity addition – a little over 1,000 megawatt (MW) – for Tamil Nadu. Not long ago, between April 2010 and March 2012, the State saw a whopping addition of over 2,000 MW. The State's story of solar power looked very good till March 2017 as more than 1,500 MW was added through solar power in the two years ending then. The last one year witnessed a modest increase of 353 MW. At the beginning of the current financial year (2018-19), the figures of installed capacity for wind and solar power were 8,152 MW and 2,046 MW respectively.

Land size

In the case of wind energy, for most of the last five years, factors such as shrinking size of land, prolonged delay in settlement of bills by the Tamil Nadu Generation and Distribution Corporation (Tangedco) to suppliers of wind power and inadequate capacity for power transmission came in the way of capacity addition. The migration from the preferential tariff regime to tariff determination through competitive auctions in early 2017 was a significant development for the wind power sector at the national level. Since then, there has been a “steep fall” in the procurement prices.

In February last year, when the Solar Energy Corporation of India (SECI) conducted the auction, the price quoted was Rs. 3.46 per unit. Later in the year, when the Tangedco floated reverse bids, the rate came down by four paise. A week ago, the Tamil Nadu Electricity Regulatory Commission (TNERC), in its generic tariff order, fixed the rate at Rs. 2.86/unit without accelerated depreciation. If the depreciation had to be considered, the rate will be Rs. 2.80/unit.

Not happy

K. Kasthurirangaiyan, a veteran wind power developer, is quite bitter about the order.

“I do not foresee even incremental addition hereafter. The order’s terms as well as tariff rate are “unreasonable.” However, whatever wind power developers have committed to will materialise, he says, referring to wind power projects of 450 MW, which are being implemented in response to the reverse bidding process of the Tangedco. He is also unhappy about the Commission reducing the period of energy banking to one month [for all new projects] from the earlier practice of allowing the facility up to the end of the financial year concerned. Even though Ramesh Kymal, a leading wind turbine manufacturer, feels that the State has the country’s best wind potential and good infrastructure to support capacity addition, he is also of the view that the reduction of the banking period “has come as a huge setback and will be a deterrent to attract wind installations in the state from captive users.”

GST woes

K. E. Raghunathan, a long-standing player in solar energy, refers to a number of factors that have come in the way of capacity addition, many of which are relevant for the rest of the country too. The “confusion” following the introduction of Goods and Services Tax for solar modules and “undue crash” in the price of solar power are among the factors.

Tariff issue

In Tamil Nadu, the rate fixed was Rs. 3.47 per unit through auctions last year. In its March 2018 tariff order, the TNERC brought the price further down to Rs. 3.11 per unit for solar power without accelerated benefit. Also, litigation in respect of MW-scale projects and the virtual suspension of distribution by the Tangedco of net meters, required for those who put up roof top solar power units, have contributed to the sluggish growth, Mr Raghunathan says. Notwithstanding the industry's not so favourable perspective, the authorities seem to be confident of overcoming the present problem. Pointing out that the Central government has fixed a target of 175,000 MW of renewable capacity by 2022, a senior government official says the target accomplishment will have to be met through "enormous contribution" from Tamil Nadu which, the authorities hope, will certainly take place.

State's potential

As for the State's potential in wind energy, the National Institute of Wind Energy has assessed it as 33,800 MW which means that only one-fourth of the overall potential has been tapped. Even now, Tamil Nadu is ahead of many others in the overall renewable energy production. The targets fixed by the Central government and the TNERC for wind and solar in terms of share of gross energy consumed are being met with every year. "Though the targets are becoming stiffer and stiffer, we are taking every step to fulfil them," another official says. Apart from its proposal to establish a solar plant of 500 MW in Kadaladi of the Ramanathapuram district, the Tangedco has plans to procure 1,500 MW each from solar and wind power producers. The facilities for power transmission are being upgraded annually, the officials say, recalling how about 5,000 MW of wind power was evacuated in July last year.

Cotton price rally goes 'pretty parabolic'	**Financial Times** https://www.ft.com/content/34bf621e-3851-11e7-821a-6027b8a20f23

Textile mills and hedge funds are engaged in a scramble for cotton as a resurgent global economy pulls bales from warehouses. Benchmark US cotton futures surged again on Monday after last week rising by the daily exchange limit to the highest level since mid-2014 as data showed supplies flying out of the US, the biggest exporter. Brokers warned the tumult may not be over as mills have yet to fix the price of millions of bales they ordered from merchants for delivery by July. As volatility surged, the Intercontinental Exchange raised the amount of collateral needed to hold futures contracts and widened the allowable price band for today's session. The fevered action ended months of soporific trading in cotton. Prices had moved sideways as consumers bought more polyester fabrics and China, the largest cotton spinner, maintained a massive state-owned reserve that damped rallies. But Beijing has begun selling off cotton stocks and global consumption will increase about 2 per cent this year to 24.6m tonnes as the world economy strengthens, according to the International Cotton Advisory Committee, an intergovernmental group in Washington. Mills in countries such as India, Pakistan and Vietnam have increased imports of US cotton by nearly 60 per cent this year, according to the US Department of Agriculture.

Hedge funds have clung to an overwhelmingly bullish position in cotton, with 10 purchases for every sale in US futures. To cotton market veterans, the intense rally recalled a 2008 price spike that knocked some of the industry's oldest names out of business. The international cotton trade is today led by trading houses such as Louis Dreyfus, Cargill, Glencore and Cofco Agri.

With futures prices locked by the exchange fluctuation limit, brokers said nervous traders had bought call options giving them the right to secure July cotton for 85 cents after the ICE July cotton settled at 82.18 cents a pound on

Friday, up three cents. The contract traded 3.7 per cent higher at 85.22 cents a pound on Monday.

We're pretty parabolic right now," said Peter Egli of Plexus Cotton, a Liverpool-based trading house. The rally was sparked by USDA estimates showing US cotton stocks would dwindle to 3.2m bales before the autumn harvest. A bale weighs 480lb. "We are all but sold out of US cotton for this year," said Ron Lawson of Logic Advisors, a commodity research group in California. The US commodity futures regulator later reported that mills had not yet agreed prices for forward contracts to buy 4.62m bales of cotton by July — an "alarmingly high" number, Mr Egli said. Brokers said the magnitude of unfixed contracts raised the risk that some mills would renege on purchase agreements with merchants. The scramble reflects the fact that the benchmark cotton futures contract only allows delivery of bales grown in the US. Even though new crops are arriving from southern hemisphere exporters such as Australia and Brazil, they cannot be used to back the industry's main hedging tool. A world cotton futures contract launched by ICE has not yet gained traction.

Facing WTO threat, government plans new schemes for job creation	**Economic Times** https://economictimes.indiatimes.com/jobs/facing-wto-threat-government-plans-new-schemes-for-job-creation/articleshow/63853224.cms

India is devising alternative schemes to promote manufacturing in the light of the recent threat to its export promotion programmes at the World Trade Organisation (WTO). The government is mulling new schemes linked to job creation and manufacturing clusters, especially in the case of textiles and apparel where India has to phase out subsidies by the end of this year. Being broader in focus and not just restricted to exports, these would not run afoul of WTO. At a meeting last week, the government deliberated the idea of expanding the Rebate of State Levies (RoSL) scheme for textile and garments. It will seek to refund those taxes that remain unrebated under the goods and services tax (GST) regime such as electricity duty and duties paid on petroleum.

RoSL can be used to offset embedded taxes which are currently not being reimbursed in GST," said an official aware of the details. Under RoSL, garment exporters get refunds from the Centre against all levies paid at the state level. This can now be expanded to include taxes that are still embedded.

The official added that production clusters can also qualify for concessions such as those on electricity. Similarly, ideas linked to employment generation such as tax concessions on provident fund contributions and exemptions to new employees (check) can also be eligible for sops without violating global trade norms.

The textile ministry has recommended linking employment generation subsidies to the wage bill as the criteria for the subsidy. The commerce department has said that the Advance Authorisation Scheme, which allows duty-free import of inputs used in manufacturing export products, is WTO compliant but called for a strong verification system to avoid excess subsidy. Under the special and differential provisions in the WTO's Agreement on Subsidies and Countervailing Measures, developing countries with a per-capita, annual gross national income (GNI) below $1,000 at the 1990 exchange rate are allowed to provide export incentives to any sector that has a share below 3.25% in global exports.

Since India acquired export competitiveness in textiles by crossing the 3.25% threshold in 2010, the deadline for ending direct subsidies to textile companies is December 2018, which the government worries will hurt the sector. Under existing WTO rules, a country can no longer offer export subsidies if its per-capita GNI has crossed $1,000 for three years in a row. In 2017, WTO notified that India's GNI was $1,051in 2013, $1,100 in 2014 and $1,178 in 2015.The government is also considering schemes to support compliance, sustainability and quality certification as they conform with WTO norms.

Single-page GST filing system to be ready in 3-6 months: Hasmukh Adhia	**Money Control** https://www.moneycontrol.com/news/business/economy/single-page-gst-filing-system-to-be-ready-in-3-6-months-hasmukh-adhia-2553761.html

At the April 17 ministerial panel meeting decided to roll out a new simplified model for GST return filing system in single-page, as per which credit could be given on a provisional basis once the supplier uploads the sales invoice. Union finance secretary Hasmukh Adhia today said the proposed new single page GST return filing system will be in place over the next three to six months that will ease the present problems.

At the April 17 ministerial panel meeting decided to roll out a new simplified model for GST return filing system in single-page, as per which credit could be given on a provisional basis once the supplier uploads the sales invoice. Replying to a query on the leakages being reported in GST-1 and GST-3(b), the top finance ministry official said, "we are checking GST-1 and GST-3b. It is coming to the fore that there is leakage and we will plug it.

"There are leakages but there is no perfect matching until the new system gets in place. Within three to six months a new system will be in place, making the whole process smoother," he said. Adhia was in town to address the convocation of the 70th batch of the Indian Revenue Services at the National Academy of Direct Taxes. The GST Council, headed by finance minister Arun Jaitley and comprising state counterparts, last month discussed on two models of GST returns and suggested that the GoM would discuss further simplification.

One of the models presented before the council was provisional credit should not be granted unless the taxpayers file returns and pay taxes. The second model stated that provisional credit could be granted to a taxpayer, but returns have to be filed within 3-4 months and taxes have to be paid or else the credit amount would be reversed.

The meeting decided that businesses would have to file only one return every month, instead of GSTR-1, 2 and 3 as was conceived earlier. Also there was unanimity that there would be no system based matching and purchaser would have to verify the invoice uploaded by the seller. The number of returns filed by both small and large taxpayers would be 12 in a year, in place of 36 at present.

Cotton Is Heading For 90 Cents Per Pound	Seeking Alpha https://seekingalpha.com/article/4164189-cotton-heading-90-cents-per-pound

Summary

Higher lows for the fluffy fiber.

Tariffs have given the market a reason to pause.

WASDE was bullish.

The next technical level will propel cotton to another level this year.

Cotton is a highly volatile commodity in the world of futures.

In 2011, the price of cotton futures that trade on the Intercontinental Exchange hit their highest price in modern history when the fiber peaked at $2.27 per pound. At the turn of the century, in early 2000 the price of cotton futures was at the 50 cents per pound level, and in 2001 it hit a low of 28.2 cents. While the price of cotton declined from the 2001 highs to lows of 55.66 cents per pound in March 2016, cotton has been making higher lows since way back in 2001.

Many factors impact the price of cotton. Some producing countries around the world provide subsidies for cotton farmers to help them through periods where the price falls below production cost. Those subsidies distort the typical supply and demand analysis for the soft commodity. This year, the potential for tariffs by the U.S. and retaliation by China could also change the price of cotton. China imports lots of U.S. cotton each year. At the same time, the crop in 2018 will as always be a function of the weather across the major growing areas in the Southern United States. On both a technical and fundamental basis, the price of cotton is entering the period of uncertainty this year on a positive note.

Higher lows for the fluffy fiber

After its plunge from $2.27 in 2011 to 55.66 cents per pound in March 2016, the price of cotton has been in recovery mode. As the weekly chart highlights, the price of the fiber has moved appreciably higher and has developed a pattern of both higher lows and higher highs. The most recent peak came in early March of this year when the nearby futures contract that trades on the Intercontinental Exchange hit 87.75 per pound, the highest price level since June 2014 when cotton was on its way down from the record peak price. The weekly chart displays a bullish trading pattern, and rising volume and open interest are a technical validation of the price trend. In the world of futures, when volume and open interest move to the upside with price, it tends to be a supportive factor in the price of a commodity. Follow me for weekly, in-depth coverage of commodities - from gold and silver to grains and livestock to oil & gas - from the #2 ranked author in both commodities and precious metals on Seeking Alpha. I'm a Wall Street veteran who's been actively watching the markets and trading in commodities for more than two decades. I know how to read these markets to find the most profitable opportunities.

And to find out how to profit from what I'm calling the coming "commodities super cycle," check out my Marketplace service, the Hecht Commodity Report. My weekly report - one of the most comprehensive research reports available - offer bullish, bearish and neutral recommendations on 20 different commodities, along with commentary on where they're headed, directional trading recommendations, and actionable ideas for traders. If you want to profit in the commodities market, and grow your wealth in the coming commodities super cycle, the Hecht Commodity Report should be on your must-read list, every week.

Uzbekistan increases export of textile products	**Azer News** https://www.azernews.az/region/130783.html

Textile products' export in Uzbekistan amounted to $316.9 million in 1Q18, which is 14.7 percent more compared to the 1Q17, the State Statistics Committee of Uzbekistan said.

According to the information, the share of textile products in the total export volume was 7.8 percent in 1Q18. The main export commodity of the Uzbek light industry is still the cotton yarn, which accounts for 58.9 percent ($186.5 million) of the total textile export volume.

Knitted clothes and garments accounted for 21.3 percent ($67.4 million) of the total volume. The third position was held by cotton fabrics and knitted fabrics ($15.2 million).

The silk export valued $10 million, which is 92.3 percent more than in the 1Q17. President of Uzbekistan completely reorganized the light industry of the republic in December 2017. Uzbekistan has been counting on the creation of cotton-textile clusters since beginning of 2018. This model implies the organization of a single production cycle, which includes cultivation of raw cotton, primary processing, further processing at cotton cleaning enterprises and production of final textile products with high added value.

In 2018, some 140,900 hectares of land were allocated to cotton-textile clusters. The organizer of a cotton-textile cluster independently signs and advances direct contracts on cultivation and supply of raw cotton with farms. The price of raw cotton, purchased by textile enterprises, is set independently by the organizer of a cotton textile cluster, taking into account the costs and profitability of farms.

Vietnam – South Korea Deepening Economic Ties	**Vietnam-Briefing** http://www.vietnam-briefing.com/news/vietnam-south-korea-deepening-economic-ties.html/

In March 2018, the Vietnamese President Tran Dai Quang met South Korean President Moon Jae-in in Hanoi, the capital of Vietnam. The meeting was to promote the Vietnam Korea Free Trade Agreement (VKFTA) of 2015, increasing the original goal of US$70 billion of bilateral trade by 2020 to US$100 billion. rade overview

2015 Free Trade Agreement

According to the original free trade agreement, Vietnam had to reduce its tariffs by 89 percent on Korean imports while Korea reduced 95 percent of the tariffs on imports from Vietnam. It was predicted that this agreement would bring 400,000 jobs to Vietnam. Vietnam’s main imports from South Korea are electronic components, machinery, plastic, and fabric, while Vietnamese exports mostly include garments, cellphones, and seafood.

Goals of the 2018 meeting

The agreed goal of the two countries is to increase bilateral trade to US$100 billion by 2020. South Korea has been moving away from trade with China, with a renewed focus on Vietnam. Samsung is the largest corporation with foreign direct investment in Vietnam, and with huge investments from this company alone, the goal seems obtainable.

South Korean firms in Vietnam

Korean conglomerates in Vietnam

Lotte, one of South Korea's largest department stores chain, closed many of its locations in China as they were not able to turn a big enough profit. Hence, Lotte is now looking to open more stores in Vietnam to increase its presence in the region. It plans on expanding to 87 locations by 2020, compared to the current 13 locations.

Electronic production outsourced to Vietnam

Around 40 to 50 percent of Samsung's cellphones are produced in Vietnam in either one of their two locations: Bac Ninh and Thai Nguyen, the second employing as many as 60,000 workers. In 2016, the Vietnamese government started giving even bigger tax breaks to Samsung because they outsource substantial amount of manufacturing to Vietnam, due to low labor costs.

South Korean trade focus moves from China to Vietnam

China, formerly one of South Korea's main trading partner, is losing some of its advantages. Wages are now twice as much as in Vietnam and the overall population has started to age, including the workforce. Vietnam has primarily been producing finished products, as opposed to China where raw materials are the main commodity.

Raw materials

South Korea's foreign direct investment in Vietnam's textile industry totals US$2 billion and both countries hope to increase this to US$50 billion by 2020. Vietnam has been pushing the textile industry to meet the demand for raw material for clothing manufacturers, as in 2014 they only accounted for a fifth of the nation's demand. Locally sourcing raw materials and machinery increase the profit margins for companies

Challenges

There are some issues related to production standards and pollution in Vietnam, and careful consideration of working conditions, zoning issues, and environmental impact should be included in a company's investment plan. In 2016, a Taiwanese company was accused of environmental pollution and after pressure from public protests, agreed to pay US$500 million for damages.

So far, South Korean firms have avoided environmental scandals in Vietnam, but in 2011, a South Korean company KB Autosys was accused of irresponsible toxic waste dumping in Miyun County, China. After the scandal broke, the company agreed to take responsibility and provide compensation for proper disposal of the waste.

Looking ahead

The politically strengthened and growing business ties between South Korea and Vietnam will provide benefits to both countries. With increased political tensions between China and South Korea, Korean investors are seeking out new opportunities and Vietnam has provided an alternative, with its young and employable workforce. With proper research into factory conditions and zoning issues, South Korean companies should take advantage of the preferential tariffs and tax breaks provided by Vietnam.