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PRIVATE BANKS HOLD A STEADY NIM SEQUENTIALLY

Net Interest Income (NII) of Private Sector Banks (PVBs) grew by 16.8% year-on-year (y-o-y) to Rs. 0.85 lakh crore in Q3FY24 due to healthy loan growth, merger, and a higher yield on advances over the year-ago period.

o PVBs reported a robust rise in advances at 32.5% y-o-y in Q3FY24 driven by NBFCs. Meanwhile, we witnessed a 27.1% y-o-y deposit growth for the quarter. (The increased growth in both credit & deposit is due to Merger impact) o The Credit and Deposit (C/D) ratio for PVBs stood at 80.7% as of December 31, 2023, expanding by ~330 bps y-o-y over a year ago due to widening credit-deposit growth and HDFC merger impact.

- The Net Interest Margin (NIM) PVBs contracted by 32 basis points (bps) y-o-y to 3.69% driven by a drop in the NIM of larger PVBs.

- In terms of PVBs sequential performance, NIIs grew by 3.4%, & NIMs reported an improvement of 1 bps, driven by other PVBs which saw an increase of 7bps.

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Textile traders meet FM, raise issue of new norms

Read more at:

https://retail.economictimes.indiatimes.com/news/apparel-fashion/apparel/textile-traders-meet-fm-raise-issue-of-new-norms/107576074?_gl=1*1hma3on*_ga*YW1wLUgtQVFfZUFGVTZSc2hqcmNRX1RKYkZlekxwRld3QmNfbWJraW1aRE1UU2RtSjJRTWZvNThNUi9mS2VpSDdtcVI

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Unseasonal rain, hailstorms hit crops in Maharashtra's Vidarbha region

Maharashtra's Vidarbha region has received unseasonal rainfall along with hailstorms, affecting various crops including cotton, an official said on Sunday. Nagpur, Yavatmal, Wardha and Amaravati districts in the Vidarbha region reported heavy spells of showers followed by gusty winds and hailstorms on Saturday.

The India Meteorological Department (IMD) had issued a forecast of unseasonal rains in the area on Saturday.

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Duty concession on gold will be major concern for India under proposed FTA with Peru: GTRI

Duty concessions on gold, which accounts for 80% of India's imports from Peru, is the most challenging issue for New Delhi under the proposed free trade agreement with the South American nation, a report said on Sunday.

Economic think tank Global Trade Research Initiative (GTRI) said that gold, a high-value product with low volume, attracts a 10% basic customs duty in India, and even minor tariff concessions could lead to a significant increase in imports.

India and the South American nation Peru are negotiating a free trade agreement to promote bilateral trade and investments between the two countries.

In such pacts, two trading partners either significantly reduce or eliminate customs duties on the maximum number of goods traded between them, besides easing norms to promote trade in services.

The next round of talks is expected to start this week in Lima, Peru.



"Tariff concessions on gold, accounting for \$1.8 billion or 80% of India's imports from Peru in FY23, is the most challenging issue for India," GTRI founder Ajay Srivastava said.

He argued that after tariff concessions under the India-UAE free trade agreement, gold imports from the UAE, India's second-largest gold supplier, doubled in 2023 compared to 2022.

"Peru, the fifth-largest supplier to India, could see a similar surge in gold imports if concessions are made," the report said.

In 2023, India's global imports of unwrought gold are estimated at \$43 billion, with Switzerland accounting for 40% of these imports, it said, adding that given Peru's gold mines, its gold would easily meet any Rules of Origin criteria.

"FTAs offer concessions on effective duties rather than on the bound duty. Excluding gold from an FTA would violate the World Trade Organization's Article XXIV, which requires duty cuts on substantial trade for FTAs," Mr. Srivastava said.

He also said that India's bound duty on gold is set at 40%, but the current applied tariff is 10%.

"FTAs allow concessions in effective duties and not on bound duty. If the FTA does not include gold, it may not meet the WTO Article XXIV condition for FTAs to have duty cuts on substantial trade," Mr. Srivastava said.

Peru has a bilateral trade pact with major economies like the U.S., EU, China, Australia, and Singapore. It also has multi-country agreements with the Pacific Alliance (Chile, Colombia, and Mexico) and the Andean Community (Bolivia, Colombia, Ecuador).

These FTAs allow tariff-free imports of most products imported into Peru.

"A notable aspect of Peru's trade regime is its low tariff barriers, with a significant portion of items being duty-free. 70.4% of items in Peru's tariff schedule are duty-free. The simple average tariff is 2.2%. This means tariff elimination will not result in substantial market access for Indian products," the report said.



Negotiations for the agreement started in 2017, and the fifth round concluded in August 2019. The talks were paused due to the coronavirus pandemic.

During 2022-23, the bilateral trade between India and Peru stood at \$3.12 billion (exports \$866 million and imports \$1.4 billion).

India exported goods worth \$865.91 million to Peru, and imported goods valued at \$2.25 billion.

Key Indian exports to Peru include motor vehicles/cars (\$282 million), cotton yarn (\$101 million), electrical and electronics (\$51.3 million), machinery (\$50.2 million), tyres (\$17 million), and pharmaceuticals (\$87.3 million), while imports items include gold (\$1.77 billion), copper ores and concentrates (\$391 million), silver (\$14.5 million).

Peruvian businesses are also looking to export agricultural products like avocados, fresh grapes and blueberries, and natural resources like calcium phosphates to India.

India and Peru (34.2 million population) are over 17,000 Km apart.

The long-distance and smaller size of Peru's economy, with the primacy of ores and minerals, are the major reasons for the low bilateral trade.

India, with a gross domestic product (GDP) of \$3,750 billion, far surpasses Peru's GDP of \$268 billion, indicating a much larger economy.

In global trade, India's exports for 2023 amounted to \$760 billion, significantly higher than Peru's exports, which stood at \$66 billion.

Similarly, India's imports were also higher, totalling \$840 billion, compared to Peru's imports of \$56 billion.

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India, Peru to begin sixth round of FTA talks today

As negotiators from India and Peru start the next round of talks on a bilateral Free Trade Agreement in Lima today, the tariff concessions on gold would be the most challenging issue for New Delhi.

Negotiators will meet for the sixth round of talks from February 12 to 15 and from the Indian side diversification of the import basket in terms of essential minerals and metals is one of the expected outcomes of the agreement. India is also seeking to explore the untapped potential of the Latin America and Caribbean (LAC) region.

Peru is a mineral rich nation and a leading producer of gold, silver, copper, zinc and lead. Some part of the gold mined in Peru is refined in Switzerland and from there finds its way to international markets.

According to trade policy think tank Global Trade Research Initiative, gold, a high-value product with low volume, attracts a 10% basic customs duty in India and even minor tariff concessions could lead to a significant increase in imports. After tariff concessions under the India-UAE Free Trade Agreement, gold imports from the UAE, India's second-largest gold supplier, doubled in the calendar year 2023 compared to 2022. Peru, the fifth-largest supplier to India, could see a similar surge in gold imports if concessions are made," GTRI said in its report.

In 2022-23 around 80% of the total imports from Peru comprised gold worth \$1.8 billion. In 2023, India's global imports of unwrought gold were estimated at \$ 43 billion, with Switzerland accounting for 40% of these imports.

Given Peru's gold mines, its gold would easily meet any Rules of Origin criteria. Rules of Origin provisions in a FTA between two countries or a group of countries lay down the extent of local value addition in a product to qualify for trade on concessional terms. "Excluding gold from an FTA would violate the World Trade Organization's Article XXIV, which requires duty cuts on substantial trade for FTAs," GTRI said.

India's bound duty (the maximum it has agreed to at WTO) on Gold is 40% and current applied tariffs are 10%. In FTA concessions are sought and given on applied tariffs. Apart from gold, other imports from Peru are copper concentrates (\$391 million), calcium phosphate (\$ 21.6 million) and silver (\$ 14.5 million).

In FY 23 India imported \$2.25 billion worth of goods from Peru and its exports stood at \$ 865.91 million.



Key Indian exports to Peru are automobiles, textiles and pharma products. Apart from minerals Peru is looking at exporting agricultural products like avocados, fresh grapes and blueberries to India. Most of the blueberries that are sold in India are sourced from Peru.

India and Peru had first started negotiating an FTA in 2017 and five rounds of talks had been held till August 2019 before COVID pandemic disrupted the process. In August last year it was decided to re-start the negotiations. Prior to the sixth round virtual intersessional track-wise meetings are being held for mutual clarity on the text.

According to GTRI the tariff elimination by Peru will not result in substantial market access for Indian products as 70% of the items in Peru's tariff schedule are already duty-free and simple average tariff is 2.2%.

"In the services sector, India may push for commitments in sectors like IT, finance, tourism. However, the potential gains in services are limited, as countries typically agree to bind existing levels of policy commitments, implying a continuation of the status quo. Low level of trade is a major deterrent," GTRI said.

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India's UPI to be launched in Sri Lanka, Mauritius on February 12

India's Unified Payments Interface (UPI) is set to be launched in Sri Lanka and Mauritius on February 12, adding to the growing list of countries where the payments system is either acceptable or linked to their own fast-payments network.

The launch will see Prime Minister Narendra Modi, Sri Lanka President Ranil Wickremesinghe, and Mauritius Prime Minister Pravind Jugnauth in attendance, video conferencing, at 1 PM on February 12. The respective central bank governors will also be present at the launch.

In addition to the UPI, RuPay card services will also be launched in Mauritius.

"Given India's robust cultural and people-to-people linkages with Sri Lanka and Mauritius, the launch will benefit a wide cross-section of people through a faster and seamless digital



transaction experience and enhance digital connectivity between the countries," the Indian government said in a statement on February 11.

"The launch will enable availability of UPI settlement services for Indian nationals travelling to Sri Lanka and Mauritius as well as for Mauritian nationals travelling to India. The extension of RuPay card services in Mauritius will enable Mauritian banks to issue cards based on RuPay mechanism in Mauritius and facilitate usage of RuPay Card for settlements both in India and Mauritius," it added.

Over the last couple of years, Indian authorities have tried to push the use of the rupee and its payments systems globally, with the RBI announcing the setting up of a mechanism to settle global trade in rupees in July 2022. Last year in July, India signed an MoU to link the UPI with UAE's Instant Payment Platform, or IPP. That came close on the heels of Modi announcing during his visit to France that Indian tourists will be able to make rupee payments using UPI from atop the Eiffel Tower. Before that in February, India and Singapore inked a pact to link the UPI and Singapore's fast payments system PayNow. Discussions are also on with Indonesia as well as countries from Latin American and Africa.

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Businesses navigate new tax law impacting MSE payments, seek government intervention

Read more at: [MSE: Businesses navigate new tax law impacting MSE payments, seek government intervention - The Economic Times](#)

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Direct tax kitty gathers steam, up 20.25% by February 10

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Remaking PLI: Can a revamp of the scheme plug the gaps and speed things up

Last week, Cabinet Secretary Rajiv Gauba chaired a meeting of the empowered group of secretaries to oversee the progress of the production-linked incentive (PLI) scheme. This came amid concerns over slow takeoff in some sectors and delays in processing of incentives. The secretaries asked the NITI Aayog to set up a mechanism to review the workings of the project management agencies, which process the incentives, and look at tweaking the rules, if needed.

PLI is Prime Minister Narendra Modi's dream scheme to transform India into a manufacturing hub for the world. It offers financial incentives of more than Rs 2 trillion for four to six years across 14 industry schemes — from mobile devices and cells for batteries

to textiles and speciality steel. The 14 schemes collectively are expected to bring in capital expenditure of Rs 3 trillion in five years starting 2021-22 (FY22). This could push up the overall private sector capex by 15 to 20 per cent.

Till November last year, the total capex on the ground under PLI, says the government, was more than Rs 1.07 trillion — around 35 per cent of the target. The scheme collectively is also expected to generate incremental sales, or production, Rs 30 trillion by the end of the programme. Till November, though, ICRA estimates say it has achieved Rs 8.7 trillion, or 30 per cent of the target.

The other aim is to generate more than 6 million jobs. So far the jobs created are about 700,000 — less than 12 per cent.

The bigger issue, though, is the abysmally slow pace of processing and disbursement of the incentives and their skew. In FY24, for instance, the total PLI disbursement till December 2023 was Rs 1,447 crore across 10 schemes, but 78 per cent of it went to mobile devices. According to the Department for Promotion of Industry and Internal Trade (DPIIT), the total PLI payout since the first disbursement in FY23 has been Rs 4,415 crore. The disbursement target for this financial year has been cut down to Rs 8,285 crore, from the Rs 11,000 crore expected earlier.

The good news is that the resources for PLI are being raised substantially for FY25. In the Interim Budget, allocations for eight key schemes have been nearly doubled to Rs 15,198 crore. Schemes for automobiles and auto components will for the first time come up for incentive disbursement.

Government officials dispel any worries on capex. The PLI scheme has been structured in a way that the bulk of the big investments with long gestations, such as advanced cell chemistry (expected capex \$5.2 billion), speciality steel (\$5.1 billion), solar photovoltaic modules (\$8.9 billion), automobiles (\$5.1 billion) will get reflected from FY25 and peak in FY26. Estimates say 70 per cent of the expected capex will be reflected from FY25 onwards.

The skew

Electronics, especially mobile devices, dominate the PLI charts. The ratio of incentive to capex in mobile assembly is low, at 3.7, compared to high capital investment sectors such as speciality steel, where it is pegged at 6.2. Mobile's share of total PLI capex is 5 per cent, but it contributes 30 per cent of the overall PLI incremental revenues. In contrast, speciality steel will contribute a substantial 19 per cent of the capex but its contribution to incremental revenue will be no more than 4.4 per cent.

However, mobile PLI's success, many say, must be measured by how it catapulted India from an importer of finished phones to a hub for exports. At the projected export value of Rs 1.2 trillion for FY24, led by Apple Inc, mobile will account for more than a third of the



exports under all PLI schemes. As a result, electronics have become the fourth largest export item from India.

Rajeev Chandrasekhar, Minister of State for Electronics and Information Technology, says his ministry has paid Rs 3,200 crore in PLI incentives to the eligible players seamlessly.

“Yes, the actual achievement under the PLI scheme for mobiles is more than what was committed. However, we have flexibility within the total allocation to ask for advancing money to meet these requirements for an earlier year,” he says.

Long haul ahead

Many of the PLI schemes have focused on import substitution, and the results have been mixed, or too early to ascertain. The 14 PLI sectors account for 40 per cent of India's total import.

The telecom equipment PLI has been off to a good start. Communications Minister Ashwani Vaishnaw says eligible companies have already invested Rs 2,419 crore — 60 per cent of their capex commitment. In many electronics products, the value addition has crossed 60 per cent. Data shows certain imports, for instance of modems, are down by 50 per cent compared to FY19, and of dish antenna by 20 per cent.

The white goods PLI, focused on creating a local component infrastructure for air-conditioners and LED manufacturing, had to be tweaked in October last year to make it easier. While 23 per cent of the eligible players have started production, the rest are in the initial stages.

For the pharma PLI, the task has been to reduce India's dependence on imports, especially from China. India imported 65 to 70 per cent of key starting materials, drug intermediates, and active pharmaceuticals ingredients in FY22. While companies under the

PLI have started production from FY22, it is going to be a long haul (PLIs are for eight years) to achieve the objective of reducing Chinese dependence by 25 to 30 per cent and become self-reliant in APIs by FY29.

Many PLI schemes have been delayed. For example, the textiles PLI had to be amended because of lukewarm response from companies, which complained of the high minimum investment and turnover requirements and exclusion of many product lines. The amended scheme will be for five years, beginning FY24.

Of the 64 eligible applicants for textiles, only 30 had made capex investments of Rs 2,100 crore till September 2023 — just about 10 per cent of the total commitment, based on ICRA data. Worse, the incremental turnover achieved is not even 0.2 per cent of the ultimate target.

Even the auto PLI for electric vehicles — two-wheelers as well as cars — got extended by a year because the government as well as the companies found it difficult to come to a consensus on defining domestic value addition, which is a clause to determine eligibility for



incentives.

“Due to problems in defining localisation more sharply in FAME II many allegedly gamed the system. For PLI they were extra careful, but one year got wasted as the government held back the certificates needed for incentives,” says a senior executive of a leading electric vehicles company. FAME is short for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicles in India.

Even the IT hardware PLI had to be revamped, which meant a loss of time, because it was earlier focused only on exports and gave incentives only up to four years (increased to six), with low incentives (2 per cent; now raised to 5 per cent).

Those eligible under the new PLI 2.0 have been given the option to choose their base year. They can opt for incentives on incremental sales of FY24 onwards, but can extend it to FY25 or FY26 if they need more time to set up factories. The scheme will now end in FY30.

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Textile industry flags issue of under-billed Chinese cloth

The textile, dyeing and yarn industrialists, under the banner of Swadesh Vyopar Association, met six BJP MPs in Delhi recently and briefed them on how they were incurring huge losses due to flooding of under-billed Chinese cloth in the Indian market.

The industrialists maintained that they were a little relieved as the MPs extended their full support in dealing with the issue. An industrialist having a dyeing unit here said it was the first time that all datas were put forth before MPs on how under-billed cloth was being imported from China, which was not possible without the connivance of officials. Due to this practice, the government was incurring losses of thousands of crores every year. Besides, this practice was denting business in markets across the country, including Tripura, Ahmedabad, Surat, Chennai and Ludhiana. “We expect to be having a meeting with the ministers concerned in coming days. The practice needs to be stopped to save our own industry and manufacturers,” said Rajnish Gupta, member Swadesh Vyopar Association.

Rs 8,000 crore tax evaded every year



It may be mentioned here that about 800 tonnes of under-billed fabric was reaching India every day and the government was incurring losses to the tune of Rs 8,000 crore per year due to the tax evasion caused by under-billing.

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Investment push slows down in key PLI sectors

Read more at: [Investment push slows down in key PLI sectors \(magzter.com\)](https://magzter.com/investment-push-slows-down-in-key-pli-sectors)

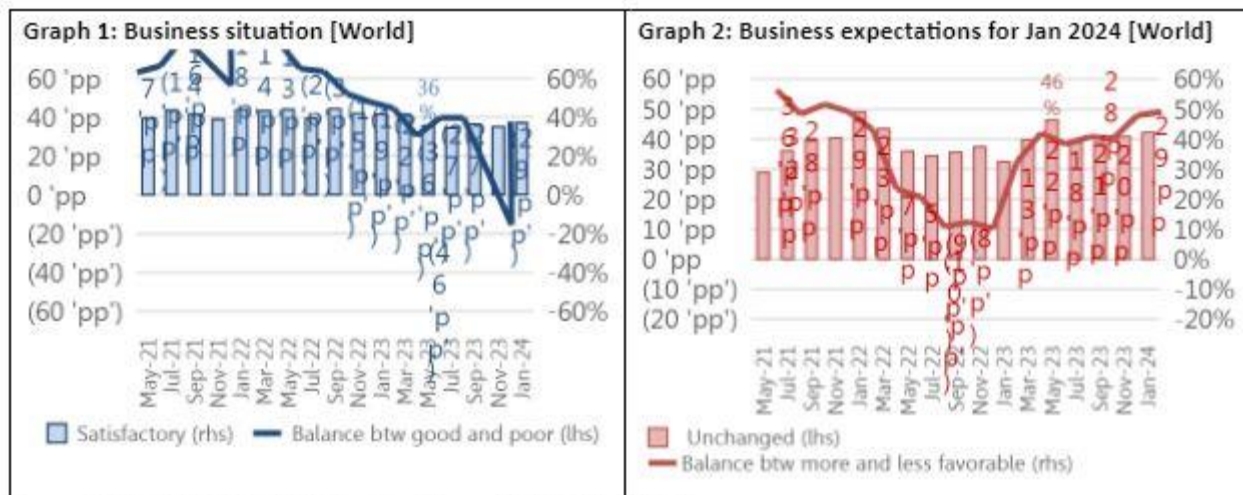
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RESULTS OF THE 24TH ITMF GLOBAL TEXTILE INDUSTRY SURVEY

Despite being negative, the indicators for business situation and order intake improved in January 2024

The last ITMF Global Textile Industry Survey (GTIS) was conducted in January 2024. It revealed a significant improvement in the business climate, signaling a potential turning point driven by better inflation rates, increased real wages, and consumer sentiment in the USA, alongside expectations of interest rate cuts. Business expectations for July 2024 reached a peak unmet since late 2021, fueled by improved order intakes and a more optimistic consumer demand outlook, despite ongoing cost concerns. Order intake began showing recovery signs, with notable increases across regions except East Asia, particularly in North & Central America and South America.



Source: 8th-24th ITMF Global Textile Industry Survey (24th 15.-24.01.2024)

The average order backlog has stabilized around 2 months since July 2023, with no change in January 2024, while capacity utilization remained at the lowest level recorded (67%), reflecting a cautious production outlook. Concerns over weakening demand in the global textile value chain have decreased, with a drop in respondents citing it as a main concern to 67% in January 2024, the lowest since May 2023. Despite this weakening demand, the phase has led to reduced rather than cancelled orders, a departure from early pandemic responses. Inventories in the textile value chain are deemed average by 57% of participants, with South Americans reporting higher levels and garment producers noting the lowest inventories, indicating a nuanced view of the current market conditions.

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