

# Softening cotton prices revive sentiment of mills in H2FY20

Consumption seen rising 5% to 28.8 mn bales this year, compared to 27.4 mn bales last year

DILIP KUMAR JHA  
Mumbai, 7 December

Spinning mills in the country are on the cusp of a revival in the second half of the current financial year due to a sharp decline in raw material cotton prices as well as stable realisations from yarns.

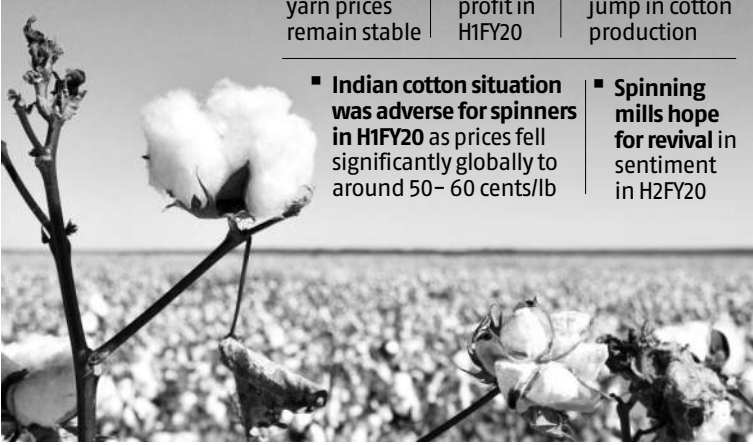
Cotton prices have declined by more than 8 per cent since April with the benchmark MCX variety ginned cotton trading at ₹18,650 a bale (170 kg) on Saturday against ₹22,600 a bale in the first week of April. By contrast, however, cotton yarn prices remained stable at ₹250 a kg of fair trade combed of 42 count variety.

“Cotton prices are currently subdued. But steady improvement in cotton yarn demand works out better for spinning mills,” said Atul Ganatra, president, Cotton Association of India (CAI).

R K Dalmia, senior president, Century Textiles and Industries, believes that cotton price decline may not necessarily prompt fabric manufacturers to cut their product prices. However, it would certainly help improve profitability in the quarters to come.

Meanwhile, the Indian cotton scenario was adverse for spinners in H1FY20 as prices fell significantly globally to around 50- 60 cents/lb (pound)

### HOPING FOR REVIVAL



- Cotton prices down 8% since April, yarn prices remain stable
- Spinning mills post weak profit in H1FY20
- Cotton Advisory Board forecasts 9% jump in cotton production
- Indian cotton situation was adverse for spinners in H1FY20 as prices fell significantly globally to around 50- 60 cents/lb
- Spinning mills hope for revival in sentiment in H2FY20

whereas domestic cotton prices were stable in the range of 80 cents/lb (owing to shortage of the cotton crop).

On the other hand, international yarn rates corrected with a steep decline in cotton prices.

“Despite more than 8 per cent correction in domestic cotton prices since April, which narrowed the premium over international cotton, domestic cotton continued to be expensive till October (around 2 per cent premium in October against 7 per cent premium in the quarter ended September). This affected the competitiveness of domestic spinners,” said Jayanta Roy, senior vice-president and group head, corporate sector ratings, ICRA.

In a further support to the cotton price decline, the Cotton Advisory

Board, under the Union ministry of commerce, has forecast India's cotton output to rise by 9 per cent to 36 million bales this year compared to 33 million bales last year.

Since the board has estimated cotton consumption to rise by 6 per cent (3 per cent less than the growth in production), the fibre's prices are expected to remain subdued this year. The board forecasts that consumption of cotton by mills will rise by 5 per cent to 28.8 million bales this year compared to 27.4 million bales last year.

Therefore, in the first six months between April and September, the country's average monthly exports (yarn) fell by 28 per cent to 74 million kg against the average of 102 million kg in the previous year. Cotton yarn exports to China for the first six months dropped to 20 million kg against 40 million kg in the corresponding period last year.

“Recently, Indian cotton prices fell, with the new cotton trickling in, in tandem with international prices. Also, yarn prices have remained stable, thereby improving the profitability scenario for Indian spinning companies like Vardhman Textiles (VTL). Hence, we believe H2 should be better than H1 in terms of spread for VTL that continues to operate at full yarn capacity,” said Bharat Chhoda, an analyst at ICICI Securities.

# Onion farmers harvest premature crop to cash in on high prices

DILIP KUMAR JHA  
Mumbai, 7 December

Farmers in Nashik district, Maharashtra — a major producer of onion— have started harvesting the premature crop to cash in on the high prices in mandis.

Farmers expect onion prices to decline on increasing import and arrivals from local sources. Before that, however, they want to take advantage of high onion prices by selling premature onion bulbs.

Good-quality onion was quoted at ₹93.50 a kg on the higher side on Wednesday in the benchmark Lasalgaon mandi of Nashik — Asia's largest onion selling market yard — a rise of ₹2.60 a kg from its prevailing prices on Tuesday.

On the lower side, however, the poorest-quality onion was selling at ₹25.50 a kg on Wednesday as against ₹20 a kg on Tuesday.

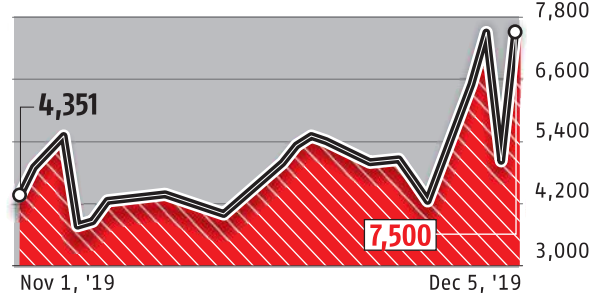
Thus, the modal price of onion works out to ₹70-75 a kg in Lasalgaon, translating into ₹100-125 a kg in the retail markets of the country. Early 2019, however, onion prices were hovering around ₹2-3 a kg in the wholesale mandis of Nashik.

“The early crop arrival from Rajasthan exhausted in a few weeks this year. The seasonal crop was reported to have been damaged in major growing states, especially Maharashtra, due to excessive rain. Farmers are bringing in pre- and un-matured crops for selling in mandis. Around 25 per cent of arrivals in Lasalgaon mandi is of pre- and un-matured onion of the current season,” said Jaydatta Holkar, chairman, Lasalgaon mandi.

Onion arrivals in the Lasalgaon mandi were reported at a mere at around 400 tonnes (400 trucks of around 1 tonne



EDIBLE BULB GETS DEARER  
LASALGAON modal price (₹/q)



each) on Wednesday as compared to 440 tonne on Tuesday.

The significance of the current arrivals can be gauged from the fact that the Lasalgaon mandi alone witnesses 22,000-25,000 tonnes of arrivals every day during the peak harvesting season.

“Since the government has imposed a stock limit on stockists and retailers, farmers are bringing in limited quantities of the new season crop to avoid spoilage. Traders, in turn, dry their purchased onion in the sun to reduce moisture and fetch higher price,” said Sanjay Sanap, an onion wholesaler in Nashik.

India's annual onion production is estimated at around 23 million tonnes. With an annual export between 3 and 4 million tonnes, India's onion consumption is projected at 19-20 million tonnes.

Meanwhile, MMTTC has contracted for 11,000 tonnes of onion import from Turkey after the government-owned commodity-trading company signed an import deal of 6,900 tonnes earlier to increase its supply and eventually cool down prices.

Holkar, however, has demanded the government withdraw the stock limit, which was halved on Tuesday to 5 tonnes for retailers and 25 tonnes for wholesalers from their earlier limits of 10 tonnes and 50 tonnes, respectively.

# Coffee prices leave bitter taste; increase 10% in Nov

T E NARASIMHAN  
Chennai, 7 December

Prices of coffee globally continue to increase amid expectations of a global deficit in 2019-20. In India they are moving in tandem. However, growers are saying while prices of Arabica match only the cost of production, prices of Robusta fetch 10-12 per cent more than the production cost.

Prices are expected to increase since deficit in coffee year 2019-20 is estimated at

502,000 bags.

The month of November marked the first time in the last 12 months when the International Coffee Organization (ICO) Composite Indicator consistently stayed over \$100 cents/lb (pound). The daily price of the ICO composite rose from \$102.74 cents/lb at the beginning of November to a high of \$111.86 cents/lb on November 25, 2019, before closing the month at \$111.77 cents/lb. The daily price has been on an upward trend since mid-October 2019, and in

November it grew 10.1 per cent higher than last month to average of \$107.23 cents/lb.

Global exports of coffee in October 2019 fell by 13.4 per cent, to 8.91 million bags, compared to the same month in the previous year. A mix of factors, including unfavourable weather patterns and prolonged low international prices, have contributed to a decline in shipments across all regions.

Rohan Colaco, planter from Karnataka and a member of Karnataka Planters Association

says the prevalent prices for Arabica only match production cost while those for Robusta are 10-12 per cent over production cost. Karnataka accounts for nearly 70 per cent of coffee production in the country.

Global exports in October 2019 totalled 8.91 million bags, their lowest monthly level since September 2017. This represents a drop of 13.4 per cent compared to the same period in the previous year, and of 2.4 per cent compared to October 2017. The decline was mainly due to 12.9

per cent drop in Brazil exports. Exports from Asia, including India, and Oceania dropped by 23.5 per cent in October.

Shipments of Robustas fell 21.6 per cent to 2.82 million bags and Arabicas fell 9 per cent to 6.08 million bags.

Exports from India were estimated at 350,000 bags in October 2019, 2.5 per cent below the same period a year earlier and 22 per cent below the same period in 2017.

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# I-T dept searches 39 sites to check evasion by brokers

PRESS TRUST OF INDIA  
New Delhi, 7 December

The income-tax (I-T) department has conducted searches at 39 locations to check alleged tax evasion by brokers and traders operating at the BSE in transactions worth about ₹3,500 crore, the CBDT said on Saturday.

The policy-making body for the tax department said raids and survey operations were undertaken on December 3 at 39 locations in Mumbai, Kolkata, Kanpur, Delhi, Noida, Gurugram, Hyderabad and Ghaziabad.

The action was taken against brokers and traders who were involved in facilitating accommodation of profits/losses through reversal trades in illiquid stock options in equity derivative segment and also currency derivative segment on the BSE, the Central Board of Direct Taxes (CBDT) said in a statement.

"The action has unravelled the entire modus operandi which has been adopted by share brokers and traders to trade into the liquid stock options in equity derivative segment and thereby generate artificial losses/profit by executing reversal trades in a very short span of time," it said.

"By this contrived methodology, the unscrupulous entities have secured desired profits/losses, which is estimated to be more than ₹3,500 crore," the CBDT said.

The action also resulted into identification of the wrongful long-term capital gains taken in at least three penny stocks listed on the BSE, where the manipulated profits utilised by the beneficiaries aggregate to around ₹2,000 crore, it said, adding that unaccounted cash of ₹1.20 crore was also seized after the raids.

The number of beneficiaries who have been benefitted by these manipulated transactions could be to the tune of a few thousand scattered across India and efforts are being made to identify them as also the corresponding quantum of income evaded, the CBDT said.

"Incriminating" evidence recovered during the searches and surveys is being examined for determination of contravention of the various direct tax laws, it added.

# Equitas SFB plans to raise ₹250 crore

T E NARASIMHAN  
Chennai, 7 December

Equitas Small Finance Bank (SFB) on Saturday said it would raise ₹250 crore through private placement of shares.

“India Infoline Finance (IIFL) Special Opportunities Fund, High Conviction Fund Series I and Focus Equity Strategy Fund - Trivantage Capital are the investors,” the lender said on Saturday.

The bank's board had approved to issue 47,458,239 equity shares of ₹10 each at a price of ₹52.68 per equity share



(including a premium of ₹42.68 per equity share) aggregating ₹250 crore. This will be for a 4.51

per cent stake in the post-issue paid-up share capital of the bank.

At the end of September, the bank's capital adequacy ratio was at 21.58 per cent with Tier-I ratio at 20.46 per cent.

Equitas SFB is expected to come out with an initial public offering (IPO) by the end of the current financial year, to comply with the licensing guidelines. According to Reserve Bank of India (RBI) guidelines, SFBs have to be listed within three years of launching operations.

Equitas SFB began operations on 5 September, 2016. In

September this year, it requested the RBI to extend its listing deadline. The RBI refused and barred it from opening new branches till further orders. The regulator also froze the pay of Managing Director and Chief Executive Officer Vasudevan P.N.

Also, the bank's proposal to list without an IPO, through a merger with the holding company, which is listed, was rejected by the markets regulator. The bank's management recently said it was confident of listing the shares by March 31 next year.

# RBSA to manage SCI divestment

JYOTI MUKUL  
New Delhi, 7 December

The Union government has appointed RBSA Advisors as transaction advisor for the privatisation of Shipping Corporation of India.

The government has 63.75 per cent equity stake in the national flag carrier which will be sold along with management control.

With consolidated revenue of more than ₹4,000 crore and a balance sheet size in excess of ₹14,000 crore, SCI is one of India's largest shipping companies in terms of Indian flagged tonnage.

SCI is involved in the business of transporting goods and passengers. SCI-owned fleet includes bulk carriers, crude oil tankers, product tankers, container



vessels, passenger-cum-cargo vessels, etc. In addition, SCI manages a large number of vessels on behalf of various government departments and organisations.

Earlier this week, RBSA was also appointed transaction advisor for NEEPCO sale to NTPC.

The plan is to complete these strategic sales before the end of FY20 so that the money flows into the Centre's coffers. With less than four months remaining for the year to end, the government has a tough task ahead to mobilise record disinvestment proceeds of ₹1.05 trillion.

# United Bank chief says amalgamated entity to retain sovereign status

Alleging that some private banks were trying to mislead a section of depositors of the three state-run banks that will be merged into an entity by telling them to shift their deposits, a top UBI executive on Saturday said that the proposed amalgamated lender would retain its “sovereign status”.

In the biggest consolidation exercise in the banking space, the Centre had announced that United Bank of India and Oriental Bank of Commerce would be merged with Punjab National Bank, making the proposed entity the second largest public sector bank (PSB).

United Bank of India MD and CEO Ashok Kumar Pradhan said that the “sovereign status of the amalgamated entity will not be diluted as government holdings in these banks are very high”. The merger of the three PSBs is scheduled to come into force from April 1 next year.

“There are some vested interests. Particularly, some private banks have been spreading rumours by posting their agents in front of some branches and telling the depositors to shift their deposits as these (public sector) banks will be closed down,” Pradhan alleged.

# SBI's Nepal subsidiary posts 13% rise in net profit for FY19

PRESS TRUST OF INDIA  
Kathmandu, 7 December

Nepal SBI Bank, a subsidiary of State Bank of India, has posted a ₹229.25 crore net profit for 2018-19, registering a growth of 13.29 per cent.

The bank mobilised total deposit of ₹9,792 crore and extended loans and advances of ₹8,864 crore at the closing of the year, according to a statement issued by the bank ahead of its Annual General Meeting.

Speaking at a press briefing, Nepal SBI Managing Director Anukul Bhatnagar said that the banking sector of Nepal should jointly fight against possible cyber attack as leakage of information of one bank could jeopardise the performance of the entire banking system.

The bank has decided to distribute 16.84 per cent bonus including 6 per cent bonus share and 10.84 per cent cash dividends from the last year's

profit and accumulated profits of the past, he informed. The bank will organise its 26th AGM on December 15 in Kathmandu.

The bank succeeded in opening 76,568 new saving accounts during the last fiscal year. The bank will leverage its position to expand the customer base by exploring new market segments and expanding delivery channels for its products, the statement said.

# KCR calls for release of ₹4,531 crore in GST dues

DASHRATH REDDY  
Hyderabad, 7 December

Telangana chief minister K Chandrasekhara Rao on Saturday urged Union Finance Minister Nirmala Sitharaman to release ₹4,531 crore in GST tax dues pending from the Centre.

In a letter to Sitharaman, Rao explained the state's position regarding the pending dues and the shortfall in Central devolutions.

"As per Union Budget 2019-20, the tax devolution to Telangana is ₹19,719 crore, which is 6.2 per cent more

than ₹16,451 crore received by the state during 2018-19. But, the state has received an amount of ₹10,304 crore only till November, which is lower by ₹224 crore, or 2.12 per cent, than the (receipts during the) same period last year. So, instead of receiving an enhanced amount, the state has received less," Rao stated, while expressing fears of another reduction in tax devolution on account of the economic slowdown, which has extended to the second quarter.

In a recent meeting with Central government officials

in Delhi, the state's representatives were told that the shortfall in Central devolutions could be as much as 15 per cent due to the economic slowdown during the current financial year, Rao said.

According to the CM, the economic slowdown has already resulted in lower GST collections compared to the benchmark growth of 14 per cent, and an amount of ₹1,719 crore is due as compensation as mandated under the GST Act. The state has received GST compensation for the first four months only this financial year.

# Prabhu: Start-ups will be key to India becoming \$5-trn economy

PRESS TRUST OF INDIA  
Mumbai, 7 December

Start-ups are going to play a major role to make India a \$5-trillion economy, former Union minister and BJP MP Suresh Prabhu said on Saturday.

"So, when we talk about a \$5-trillion economy, it will be largely from the start-ups. It is inevitably bound to happen all over the world, thankfully our prime minister realised it and had that vision to understand the changing economic

scenario of the Indian economy," Prabhu said at an event in Mumbai.

The economic growth will come from both the existing industries as well as from those companies that are going to come up in the future, he added.

In 2019, India has become a \$2.7-trillion economy, having added one trillion US dollars in the last five years.

There has been a global economic slowdown, which has also impacted the country's growth, Prabhu added.