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1. INTEREST EQUALISATION SCHEME FOR EXPORTERS EXTENDED BY 3 MONTHS

The government has budgeted Rs 1,900 crore under the scheme for FY22, against Rs 1,600 crore (RE) for FY21. This scheme usually allows manufacturing and merchant exporters an interest subsidy of 3% on pre-and-post-shipment rupee credit for exports of 416 products (tariff lines). The Reserve Bank of India (RBI) extended the validity of the interest equalisation scheme for pre-and-post-shipment rupee export credit by three months through September 30. This will continue to help exporters struggling to cope with the damage caused by the second Covid wave. The government has budgeted Rs 1,900 crore under the scheme for FY22, against Rs 1,600 crore (RE) for FY21. This scheme usually allows manufacturing and merchant exporters an interest subsidy of 3% on pre-and-post-shipment rupee credit for exports of 416 products (tariff lines). The central bank's notification came after the government approved the extension of the scheme, with "same scope and coverage". The move comes at a time when the country's exports have staged a rebound after witnessing a roller-coaster ride in the wake of the pandemic last fiscal. Merchandise exports surged over 69% in May from a year before to $32.3 billion, driven by a favourable base and improved demand from key markets. Importantly, goods exports have now crossed the pre-Covid (same months in 2019) level for three straight months, in what appears to be a strengthening trade recovery. Of course, export growth was low even before the pandemic outbound shipments rose about 9% in 2018-19 but again shrank by 5% in 2019-20. So only a sustained uptick over the next 2-3 years would help recapture the lost heights. Hailing the extension, A Sakthivel, president of the exporters' body FIEO, said the scheme will "help the identified export sectors to be internationally competitive and to achieve a higher level of export performance".
(Source: Financial Express)

2. GST-RELATED ISSUES NEED REDRESSAL DESPITE TAX REGIME'S BENEFITS

As the goods and services tax (GST) regime completes its fourth year , there are still issues that bog several industrial sectors in India. The tax regime did benefit the textile, garment and footwear sectors in a variety of ways, but issues that need redressal include those related to GST slabs, an inverted duty structure and challenging GST norms. There is a government proposal to change four GST slabs into three and

footwear industry associations have demanded reduction in GST rates on footwear to 12 per cent. GST reduced input costs of the garment industry by subsuming complicated taxes like octroi and entry tax into a uniform tax system. Excise and value-added tax (VAT), which differed from state to state, earlier applied to yarn and branded garments and that added to the input cost. With GST, input costs were reduced. Different agencies managed various kinds of indirect taxes earlier. GST reduced compliance burden. There is a demand that all indirect taxes must be brought under GST so that exporters only need to claim a refund of the input taxes paid, making the system more efficient than separate reimbursement schemes. According to Apparel Export Promotion Council (AEPC) chairman A Sakthivel, though the GST regime initially posed a lot of problems due to lack of clarity and understanding of the procedures and compliance requirements and technical glitches, over time it has been having the intended effect of streaming payments, reducing multiplicity in taxes, easing out documentation and compliance requirement and better record keeping. It has also encouraged integration of manufacturing activities in the units, he told Fibre2Fashion. The government had proposed to reduce GST slabs from the current 5 per cent, 12 per cent, 18 per cent, and 28 per cent, to three slabs 8 per cent, 18 per cent and 28 per cent. But a decision regarding that seems to have been postponed. Man-made fabric (MMF) now attracts 5 per cent GST, which the government was earlier considering to raise to 6 per cent or 12 per cent. The proposal faced strong opposition from industrialists. In February this year, the Southern Gujarat Chamber of Commerce and Industry (SGCCI) opposed the government's proposal to change the slabs, saying that would have a negative impact on the textile sector. The continuous rise in import of MMF, especially after GST was implemented, was deeply hurting the domestic textile sector, the Confederation of Indian Textile Industry (CITI) lamented in late 2019. Analysis by CITI showed the primary reason was the removal of countervailing duty after GST was implemented, which overnight made imports cheaper by more than 12 per cent. The production of polyester fabric in the country's largest MMF hub Surat decreased by 40 per cent after GST was imposed in 2016. An SGCCI report in August 2019 said the higher cost of raw material, including yarn, was posing a major challenge to the MMF sector. Import duty on fabrics and garments was subsequently increased by the government to control imports, and therefore, the import of fabrics has been relatively under control, but import of garments could not be controlled through this measure because of free trade agreements. According to Indian Texpreneurs Federation (ITF) convener Prabhu Dhamodharan, a single GST structure at the lowest slab for the entire value chain for cotton helped in a big way and improved overall efficiency and compliance at multiple levels. "Rationalisation of duties at the MMF value chain is a long-pending reform and we are confident that such rationalisation will improve the competitiveness of the sector. MMF being a growth engine for the textile and apparel sector, we need to address this on a priority basis," Dhamodharan told Fibre2Fashion. The textile processing industry is suffering from an inverted duty structure as their output GST is low (5 per cent) while that on raw material and service inputs, GST is 18 per cent, said Suresh Manoharan, secretary of the State Industries Promotion Corporation of Tamil Nadu (SIPCOT) Textile Processors Association in Perundurai. "Processing units are not able to fully utilise GST input tax and their input tax credit (ITC) ledger is getting accumulated, leading to cash flow issues," he explained. Processing units cannot get ITC refund as the GST law does not allow refund of service inputs, said Manoharan, suggesting amendments to allow the same and raising output GST to 12 per cent.
(Source: Fibre2Fashion)

3. CABINET APPROVES LOAN GUARANTEE SCHEME FOR COVID AFFECTED SECTORS (LGSCAS) AND TO ENHANCE THE CORPUS OF EMERGENCY CREDIT LINE GUARANTEE SCHEME (ECLGS)

On account of the disruptions caused by the second wave of COVID 19 specially on healthcare sector, the Union Cabinet, chaired by the Prime Minister Shri Narendra Modi has approved Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS) enabling funding to the tune of Rs. 50,000 crore to provide financial guarantee cover for brownfield expansion and greenfield projects related to health/ medical infrastructure. The Cabinet has also approved introduction of a scheme for other sectors/lenders including those allied to better healthcare. Detailed modalities would be finalized in due course depending upon the evolving situation. In addition, the Cabinet has also approved additional funding up to Rs. 1,50,000 crore under Emergency Credit Line Guarantee Scheme (ECLGS).

Targets:

LGSCAS:The Scheme would be applicable to all eligible loans sanctioned up to 31.03.2022, or till an amount of Rs. 50,000 crore is sanctioned, whichever is earlier.

ECLGS: It is a continuing scheme. The Scheme would be applicable to all eligible loans sanctioned under Guaranteed Emergency Credit Line (GECL) till 30.09.2021, or till an amount of rupees four lakh fifty thousand crore is sanctioned under the GECL, whichever is earlier.

Impact:

LGSCAS:The LGSCAS has been formulated as a specific response to an exceptional situation the country has witnessed due to lack of adequate health infrastructure in the light of second wave of Covid-19. The approved scheme is expected to help the country in shoring up its much-needed healthcare infrastructure along with creating more employment opportunities. The main objective of LGSCAS is to partially mitigate credit risk (primarily construction risk) and facilitate bank credit at lower rates of interest.

ECLGS:It is a continuing scheme and recently, on account of the disruptions caused by the second wave of COVID 19 pandemic to businesses across various sectors of the economy, Government has further enlarged the scope of ECLGS. The enhancement is expected to provide much needed relief to various sectors of the economy by incentivizing lending institutions to provide additional credit of up to Rs. 1.5 lakh crore at low cost, thereby enabling business enterprises to meet their operational liabilities and continue their businesses. Besides supporting MSMEs to continue functioning during the current unprecedented situation, the Scheme is also expected to have a positive impact on the economy and support its revival.

Background:

LGSCAS: Government has taken various measures to combat the crisis caused due to Covid-19 pandemic which has been upended by the second wave of COVID-19. This wave has placed enormous stress on health facilities as well as livelihoods and business enterprises in many sectors. This wave has sharply brought out the need to enhance public and private investments in the health sector. This is necessary across the country, from metro cities to tier V and VI towns as well as rural areas. The requirements include additional hospital beds, ICUs, diagnostic centres, oxygen facilities, telephone or internet based medical advice and supervision, testing facilities and supplies, cold chain facilities for vaccines, modem warehousing for medicines and vaccines, isolation facilities for triage, ramping up of production of ancillary supplies such as syringes and vials etc. The proposed LGSCAS is aimed at upscaling the medical infrastructure in the country, specifically targeting underserved areas. LGSCAS would provide a guarantee of 50 percent for brownfield projects and 75 per cent to greenfield projects for loans sanctioned up to Rs.100 crore, set up at urban or rural locations other than 8 Metropolitan Tier 1 cities (Class X cities). For aspirational districts, the guarantee cover for both brownfield expansion and greenfield projects shall be 75%.

ECLGS:The resurgence of COVID-19 pandemic in India in recent weeks and the associated containment measures adopted at local/regional levels have created new uncertainties and impacted the nascent economic revival that was taking shape. In this environment the most vulnerable category of borrowers are individual borrowers, small businesses and MSMEs, for which, ECLGS, as a targeted policy response was introduced by GoI. The design of ECGLS provides flexibility to quickly respond to emerging needs, as has been evidenced by the introduction of ECLGS 2.0, 3.0 and 4.0 as well as changes announced on 30.05.2021, all of which were within available headroom of Rs 3 lakh crore. Currently, about Rs. 2.6 lakh crore of loans have been sanctioned under ECLGS. A further uptick is expected due to changes announced recently, extension of limit of one time restructuring to Rs. 50 crore by RBI on 04.06.2021 and the continuing adverse impact of COVID on businesses.
(Source: pib.gov.in)

4. SHIPPING MINISTRY LAUNCHES CORRIDOR FROM COCHIN PORT TO IMPROVE COASTAL CONNECTIVITY

The Ministry of Ports, Shipping and Waterways launched the maiden voyage under the Green Freight Corridor-2, a coastal shipping service, from Cochin port to Beypore and Azhikkal ports located in northern Kerala. The Ministry plans to improve the connectivity and synergies between the major and non-major ports by promoting such coastal trading. This move is also aimed at creating intermodal and sustainable customer solutions, improving use of waterways, cutting road and rail traffic and logistical expenditures. The newly launched service will connect Cochin with Beypore-Azhikkal and later Kollam ports in Kerala. Vessels shall ferry load from Cochin to Beypore and Azhikkal twice a week. Commodities like rice, wheat, salt, construction material, cement and others will be sent from Gujarat to Cochin port, from where further transportation using waterways will be carried to other Kerala ports. On its return voyage, commodities like plywood, textiles, coffee, footwear will be ferried. Both Cochin port and Kerala government have offered operational incentives so that a larger number of containers are shipped via waterways.
(Source: The Indian Express)

5. NITIN GADKARI LAUNCHES INDIAN BANK'S 'MSME PRERANA' PROGRAMME IN MAHARASHTRA

MSME Prerana program has been launched with an objective to develop the financial and managerial capabilities of the MSME entrepreneurs, apart from creating awareness on government initiatives. In an effort to improve and empower small and medium enterprises, Indian Bank has launched its Business Mentoring programme named 'MSME Prerana' in Maharashtra. This program is a business mentoring plan for MSME entrepreneurs. 'MSME Prerana' programme has been launched to develop managerial and financial options for MSME Entrepreneurs. With this programme, Indian Bank aims to create awareness on various initiatives and plans taken up by the Government of India (GOI)/State Governments/Reserve Bank of India (RBI) and other agencies across the country. Nitin Gadkari, Minister of MSME and Road, Transport, and Highway launched the 'MSME Prerana' programme. While launching this flagship plan, Gadkari appreciated the Indian Bank team for introducing this initiative for MSMEs. "The sector contributes 30 percent to Indian GDP and 48 percent to exports while creating 11 crore jobs in India," Gadkari said while launching the programme. He further suggested banks to introduce a mechanism that can help in evaluating the financial ratings of the MSMEs. Gadkari also asserted that such steps (MSMEs programmes) can help the government in bringing down the imports by becoming 'Atmanirbhar'. Through the 'MSME Prerana' programme, Indian Bank is providing financial help and support to nearly 20 lakh MSMEs with credit exposure of over Rs 70,180 crore. The programme adopts a step-by-step approach in the following:

- providing training to MSME
- understand their business numbers
- concept of balance sheet
- cash flow management
- managing their business during the crisis time
- decision making
- communication and leadership skills
- awareness of various initiatives taken by Government/RBI/Bank

By extending web-based training to entrepreneurs, the 'MSME Prerana' aims at breaking geographical and language barriers.
(Source: Firstpost)

6. LUDHIANA TEXTILE COMPANIES CAN EXPORT TEXTILE GOODS VIA TRAIN TO BANGLADESH

With the new initiative of Indian Railways, trains for transporting raw materials like yarn, fabrics, and products from Ludhiana’s textile and garment companies will be exported directly to Bangladesh. The Ambala division of Railways has started this facility in collaboration with MGH Group. On 27 June, for the first time, a special parcel train full of the cotton thread was loaded from Ambala Cantt station to Benapole, Bangladesh for the railways. At the same time, the 20-parcel van was flagged off in the presence of railway officials in Ambala. According to Railways, customers availing of this facility will get duty-free from their respective factories across Ludhiana and Buddy, as well as end the solution of transporting export boxes, clothes, and FMCG (Fast Moving Consumer Goods) to their buyer’s factory in Bangladesh. Which is important for the boundaries of both sides. Arti International, Cedar Textiles, Garg Acrylic, Nahar Spinning, and Burdwan Textiles are some of the potential customers of Ludhiana formation. Senior DCM, Vivek Sharma said about the occasion, “Earlier, the businessmen in and around Punjab & Haryana were transporting commodities like yarn, fabrics & goods by road to Bangladesh in small quantities and at very high freight cost.” Also, during the lockdown period, they were unable to transport these by road and it was then Railway staff and

Officials approached the consignors and explained to them about the facilities to transport by rail. “Accordingly, they have moved the cotton yarn by rail in bulk through goods trains, but for moving the consignment by Goods trains, it is mandatory for the farmers and merchants to mobilize the quantity in bulk,” he added. To mitigate this problem and to facilitate the Rail users to move their quantities in smalls like up to a maximum of 500 tons in each trip, the Ambala Division of Northern Railway took the initiative and started the Special Parcel train to Bangladesh. This has helped the merchants to market their products beyond the country border by transporting the Cotton Yarn in small quantities through the Special Parcel train. Accordingly, one special parcel train consisting of 20 parcel vans moved to Benapole in Bangladesh. Each VPU was loaded with 430 cartons, weighing around 23 tons and the total weight carried by the special parcel express is around 468 tons. The cost per ton for carrying by Special Parcel train is Rs 5,491 and which is very cheap and economical as compared to Road transport which is much higher. This will be the first of its like traffic from Northern Railway catering the yarn industry of Northern India & earned the freight of Rs 25,69,630. According to Sunil Tangri, commercial head of Vardhman Textiles, Ludhiana, “The train service to Benapole will help the whole textile industry in this region to commit to stringent delivery schedule and that in turn will increase India’s exports and boost economic trade between two neighboring countries.

(Source: Textile Today)