

# TM:POST

## Risk And Opportunities

### **KHADI INDUSTRY AND DEVELOPMENTS**

Encouragement of eco-friendly jute packaging via JPM (Jute Packaging Materials) Act, 1987 was continued in the year gone by. However, due to acute shortage of raw jute after a second successive poor crop year, prices of raw jute increased rapidly from December 2015. As a corrective measure, Government of India diverted orders equivalent to 5.5 lac bales of jute sacking to synthetics. The jute industry also responded proactively in FY16 and a lighter 580 gms jute sacking bag was developed to replace the 665 grams bag, thereby conserving raw jute and also substantially reducing the cost of Jute sacks being procured by the Government.



### **Gloster India**

The government likely to re-launch a special drive from mid-May to monitor compulsory use of jute sacks for the preservation and transportation of 17 products. On back of this news, jute stocks have been rallying.

Hemant Bangur, Chairman of Gloster sees many opportunities opening up for his company by this drive.

"We will see more demand which was surreptitiously not being complied with, coming in and this is a great booster to the industry and to the jute sector," said Bangur in an interview with CNBC-TV18.

Gloster is a professionally managed company engaged in the manufacture of Jute & Jute allied products. He said the company is basically an export oriented one with 40-45 percent of the production being exported and



JUTE EXPORT EARNINGS	
In FY 2015-16 (in millions)	
TOTAL INCOME	\$919.58
JUTE GOODS TO INDIA	\$144.64
RAW JUTE TO INDIA	\$96.68

## Risks

> Dilution of the Jute Packaging Material Act, 1987 remains a primary area of concern and uncertainty

> Inadequate leverage of the environment-friendly nature of Jute has been a bane for the industry.

> Uncapped increases in dearness allowance (with a 190% of DA payment liability imposed on the jute industry).

> Further dilution of compulsory Jute Packing Order and lower order from government quarters can adversely affect the market of jute products

> More competition from synthetic packaging materials specifically because of falling crude prices.

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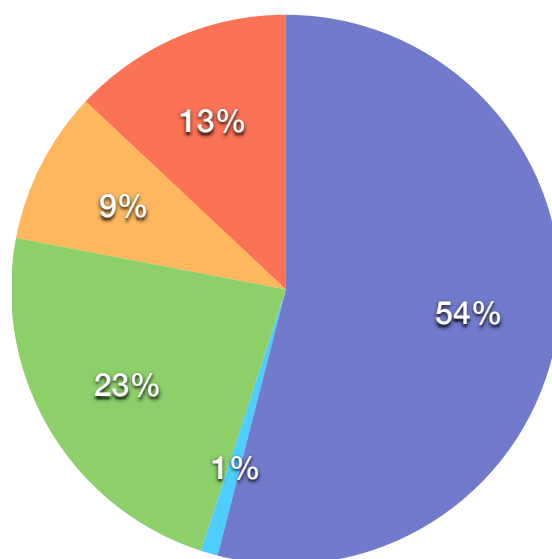
government orders constitute less than 30 percent of their annual sales.

Environmental consciousness in the western world has been a significant driver for the industry and their business. There have been shifts from synthetic packaging material to natural packaging, he said which helps demand for their core product. The company has been developing and evolving products to suit the requirement of eco-friendly and naturally recyclable products. This shift is also likely to be seen in India with the government's focus on Make in India and environment.

**In December 2016, India slapped 12.5 per cent additional duty on jute goods imports from Sri Lanka and Maldives. This was followed by imposition of anti-dumping on jute products from Bangladesh in January this year.**

- Sacking
- Carpet making Cloth
- Hessain Cloth
- Diversified Products
- Yarns and Twines

Khadi Products and Usge



The initial forecast of raw jute crop in the forthcoming jute season seems to be very good due to better sowing and expected good monsoon.